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U. S. Department of Agriculture

CODE OF FAIR COMPETITION FOR THE COTTONSEED CRUSHING INDUSTRY

Presented by

The National Cottonseed Products Association, Inc.

DEFINITIONS.

1. "Secretary" means the Secretary of Agriculture of the United States.
2. "Acts" mean the "Agricultural Adjustment Act" and the "National Industrial Recovery Act" passed at the first session of the seventy-third Congress.
3. "The Association" means the National Cottonseed Products Association, Inc., with headquarters at Memphis, Tenn.
4. "Mills" mean all of the cotton seed oil mills engaged in the crushing of cottonseed.
5. "Regional Committees" mean the committees or representatives duly elected by and authorized to represent the cottonseed oil mills in the several states or regions where such mills have an organization that is affiliated with the Association.
6. "Administrator" means the official appointed as provided in Article IX herein.

ARTICLE I.

The objects sought to be furthered by this code are:

Desiring to cooperate with the Government in its efforts to overcome the existing emergency, the mills agree to pay a fair price for cottonseed; to convert it into products efficiently and at the lowest possible cost consistent with fair wages and reasonable working hours for their employees; to eliminate practices within the trade that are destructive and uneconomical and to set up in their stead those that are fair to all; and to increase the market value of cottonseed by seeking new uses and market demands for cottonseed products.

ARTICLE II.

This code is proposed by the National Cottonseed Products Association, Inc., representing eighty per cent of the cottonseed crushing industry. Membership in the Association is extended to any person, partnership or corporation in the cottonseed crushing industry who accepts his share of the cost and

responsibility, as well as the benefit of such membership.

ARTICLE III.

Section 1. None of the members of this code shall knowingly employ in or about a mill any person under sixteen years of age.

Section 2. Pursuant to Section 7(a) of the National Recovery Act, the following conditions are hereby embodied in and prescribed as a part of this code:

(a) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from interference, restraint or coercion of employers of labor or their agents in the designation of such representatives or in self organization or in other mutual aid or protection.

(b) That no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing.

(c) That employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Section 3. (a) It is understood that nothing contained herein shall impair in any particular the constitutional rights of the employee and employer to bargain individually or collectively as may be mutually satisfactory to them.

(b) Nothing in this code shall abridge the right of an employer to employ, select, retain, replace, release or advance any person or employee on the basis of his individual merit without regard to his affiliation or non-affiliation with any labor organization.

(c) In order to increase the buying power of labor, the mills agree and pledge themselves to abandon the twelve hour shift system now in general use and instead to adopt an eight hour shift, and, except in cases of emergency, such as fire, railroad embargoes, hot or damp seed, etc., to limit the hours per week to not more than forty-eight hours per man.

The minimum rate of pay shall be twenty-two and one-half cents per hour.

The maximum hours provided for in Section 3 (c) of this article, shall not apply to day superintendents, night superintendents, managers, assistant managers, cashiers, executives, officials, salesmen, seed buyers, or others compensated on a fixed monthly or yearly salary.

ARTICLE IV.

(a) There now exists in many sections of the cotton belt an excess of crushing capacity and it is recognized that more economical operation benefiting the producer, the mill, and the consumer could be secured by the reduction of such excess capacity. With that end in view The Association, with the approval of the Secretary, will endeavor by negotiation and agreement to adjust existing capacity so as to reduce operating cost and thereby bring about a more efficient and economical crushing of seed. In view of the excess crushing capacity, it is agreed that after the effective date of this code there shall be no relocation of nor increase in the number or capacity of mills except with the approval of the Secretary after a showing to him that the proposed increase is necessary in the community and section affected.

(b) As a further method of limiting excessive crushing capacity, the operation of which leads to unsound and uneconomical conditions, the mills accept the principle of quantity allotment of cottonseed under such terms and conditions as may be worked out by Regional Committees and approved by the Administrator and by the Secretary.

ARTICLE V.

In order that the true cost of processing may be known, the mills and the Association agree that the Association will prepare and recommend for general adoption and use a uniform accounting system, the adoption and use of which the Administrator may require. The books and records of the mills shall be open for inspection at any time to the Administrator or his duly authorized representative.

ARTICLE VI.

It shall be considered unfair competition for a mill to purchase seed in any section at a price that will tend to eliminate, oppress, or discriminate against other mills situated therein, which are logically located and efficiently operated.

ARTICLE VII.

(a) For the information of all interested persons and to prevent discrimination, the market price of cottonseed as indicated by the price being paid or bid by mills in each state or region shall be published in such manner as may be prescribed by the several Regional Committees, with the approval of the Administrator and of the Secretary. Such prices shall be furnished by all mills and must represent the true prices bid or paid. The payment or allowance to sellers of cottonseed of commissions, bonuses, rebates or subsidies of any kind, is hereby declared to be an unfair method of competition and commercial bribery.

(b) For the same purposes as set forth in the above section, the market prices of cottonseed cake, meal and hulls in each state or region shall be published in such manner as shall be prescribed by the Regional Committees with the approval of the Administrator and the Secretary.

ARTICLE VIII.

The Association will prepare a uniform form of contract which shall be used for buying cottonseed. Such contract must be approved by the Administrator and shall provide for a specified tonnage at a specified price to be entered into in good faith between buyer and seller, and subject to no alteration or cancellation save for legal cause. No contract shall be postdated or predated, or entered into without authorization and definite commitment at the time it is made by both parties thereto. All contracts must show definite time within which shipment shall be made, which time shall be determined by the Regional Committee with the approval of the Administrator.

ARTICLE IX.

In order to carry out the purpose of the Acts and to make effective the provisions of this code, a National Administrative Committee of the Association is hereby created, composed of the President and Vice President of the Association and one representative selected by the mills, each mill having one vote, in each of the following eleven states or regions:

North Carolina; South Carolina; Georgia; Alabama; Mississippi; The Valley (Arkansas, Tennessee, Missouri and Illinois); Louisiana; Oklahoma; North Texas; South Texas; and New Mexico, Arizona and California.

The members of the Administrative Committee so elected by the several states or regions, shall be empowered and authorized by the mills in such states or regions to act for them in all matters relating to the carrying out of the purposes of the Acts and of this code.

(b) The Administrative Committee, at the suggestion and with the approval of the Secretary, shall employ an Administrator. The Administrative Committee shall fix the salary and the term of office of such Administrator, whose duty shall be to act as chief executive officer of the Association in carrying out the purposes of the Acts and of this code. It shall be the duty of the Administrator to cooperate with and coordinate the activities of the several Regional Committees. The mills shall upon request of the Administrator furnish him such information with respect to their operations as may be necessary to enable him to discharge the duties of his office.

(c) To carry out the purposes of the Acts and of this code, the mills agree to pay to the Administrator or his agent an annual levy not to exceed one and one-half cents per ton of cottonseed crushed.

(d) In each of the states or regions above described there shall be elected by the mills situated therein a Regional Committee not exceeding three in number whose duty it shall be, under the direction and with the approval of the Administrator, to interpret and make effective the purposes of the Acts and of this code to such region, to formulate rules and regulations not in conflict with the purpose of the Acts or of this code and not designed to promote monopolies or eliminate or oppress small enterprises, to hear and determine controversies which

may arise, to investigate and take proper action where violations of the Acts and of this code occur, and to require from mills located within its territories such reports and information as the Committee with the approval of the Administrator, may consider necessary. Each Regional Committee shall arrange to finance its own operations and activities. Additional Regional Committees may be established where the mills located in any area affected petition therefor and such petition is approved by the Administrator.

Nothing herein contained shall be deemed nor construed to conflict with the provisions of the Acts.

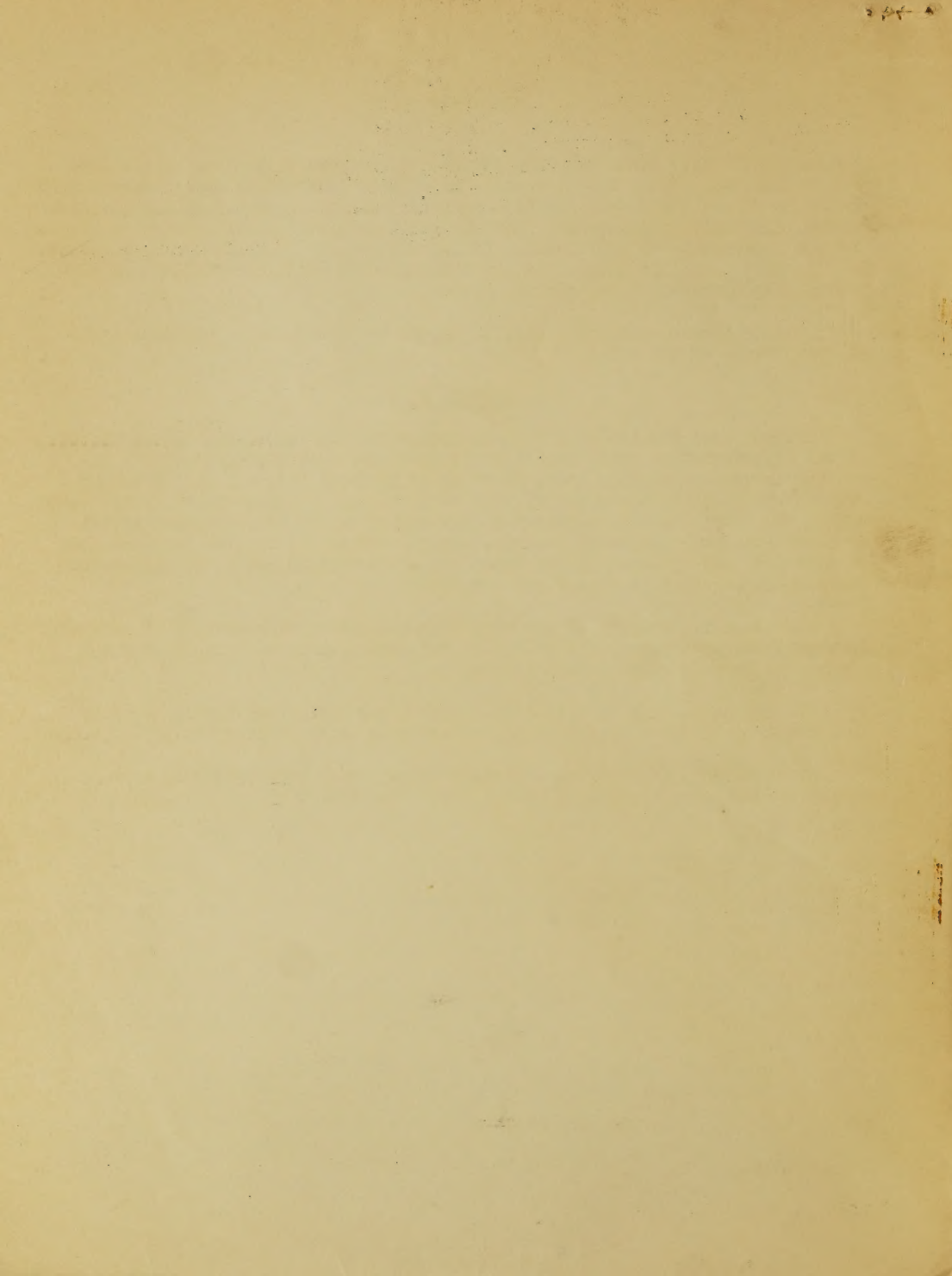
ARTICLE X.

The Regional Committee or the Administrative Committee, with the approval of the Administrator, shall from time to time make such recommendations, including amendments of this code, as in their judgment will aid the effective administration of the Acts and of this code, or may be necessary to bring about within the cottonseed oil industry in any region thereof the purposes of the National Industrial Recovery program. Amendments to the code so proposed when submitted to and approved by the President of the United States or his nominee shall be immediately in full force and effect.

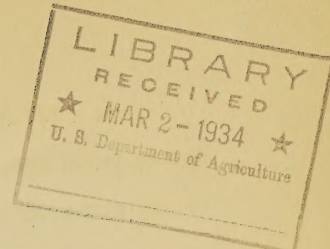
Violation by any mill of any of the provisions of this code or of any rule or regulation approved by the President and issued thereunder is to be considered as an unfair method of competition.

The effective date of this code shall be ten days after its approval by the President or the duly designated authorities of the United States Government.

The President may from time to time cancel or modify any order, approval, license, ruling, or regulation issued under this title.



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Tentative Draft
CODE OF FAIR COMPETITION
of the
COTTONSEED CRUSHING INDUSTRY.

Revision of Feb. 26, 1934.

ARTICLE I

Purposes.

To effect the policies of Title I of the National Industrial Recovery Act, this Code is established as a Code of Fair Competition for the Cottonseed Crushing Industry, and its provisions shall be the standards of fair competition for such industry, and shall be binding upon every member thereof.

ARTICLE II

Definitions.

As used in this code, the term:

1. "Cottonseed Crushing Industry" or "Industry" means the processing and crushing of cottonseed and the production of oil, cake and/or meal, hulls, linters and other products derived therefrom and their sale as such.
2. "Member of the Industry" or "Member" includes, without limitation, any individual, partnership, association, corporation or other form of enterprise engaged in the Cottonseed Crushing Industry as defined in section 1, either as employer or on his own behalf.
3. "Subsidiary" means any person, of or over whom or which a contracting mill or an affiliate of such mill has, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

4. "Affiliate" means any person and/or any subsidiary thereof who or which has, either directly or indirectly, actual or legal control of or over a contracting mill, whether by stock ownership or in any other manner.

5. "Person" means any individual, partnership, association, corporation or other form of business unit.

6. "Employee" means any and all persons engaged in the cottonseed crushing industry, however compensated, except a member of the industry.

7. "Employer" means any person by whom an employee in the cottonseed crushing industry is compensated or employed.

8. "Act", "Secretary", and "Administrator" mean respectively, Title I of the National Industrial Recovery Act, the Secretary of Agriculture, or his duly appointed agent, and the Administrator for Industrial Recovery, or his duly appointed agent.

9. "Cottonseed" means the seed of the cotton plant, untreated by either chemical or mechanical process other than the ordinary processes of cleaning, drying, ginning, and/or such sterilization as may be required in defined districts by the Secretary for quarantine purposes.

10. "Cottonseed Products" or "first products" means the four principal crude products recovered from cottonseed by crushing mills, including crude oil, cake and/or meal, linters and hulls.

11. "Mills" means mills used in the processing and crushing of cottonseed and the derivation therefrom of oil, cake and/or meal, hulls, linters and other products.

12. "Dormant mills" means any mill as defined in (11) that has

not crushed any cottonseed during the period beginning August 1, 1931 and ending October 1, 1933.

13. "National Committee" means the code authority created pursuant to Article VI, sections 1 and 2.

14. "State Committee" means the State Administrative Committees created as a part of the code authority pursuant to Article VI, sections 1 and 2.

15. "State" includes territory and the District of Columbia.

16. "Official Standards of the United States" means that permissive system of grading, sampling, and analyzing cottonseed sold or offered for sale for crushing purposes as released over the signature of Arthur M. Hyde, Secretary of Agriculture, under date of May 23, 1932, United States Department of Agriculture, Bureau of Agricultural Economics, Service and Regulatory Announcements No. 133, S.R.A. - B. A. E. 133, issued August, 1932.

17. "Base Grade" means that standard basis grade set out in the official standards of the United States.

18. "Labor Provisions" shall mean matters relating to the determination and administration of hours of labor, rates of wages, and other conditions of employment within the industry, under the jurisdiction of the National Recovery Administration.

19. "Season" means the period beginning August 1 of any year and ending July 31 of the following year.

20. "Superintendent" means an employee responsible for the mechanical operation of a mill.

21. "Outside Salesman" means an employee who is engaged pri-

marily in selling commodities away from the premises of the mill which employs him, and who does not deliver.

22. "Outside Buyer" means an employee who is primarily engaged in buying cottonseed away from the premises of the mill which employs him.

23. "Watchman" means an employee whose principal duty is watching or guarding the premises and property of his employer.

ARTICLE III.

General Labor Provisions.

Section 1. Collective Bargaining.

(a) Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purposes of collective bargaining or other mutual aid or protection.

(b) No employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing.

(c) Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Section 2. Child Labor.

On and after the effective date of this code, no person under

the age of sixteen (16) years shall be employed. No person under eighteen (18) years of age shall be employed at operations or occupations which are hazardous in nature or detrimental to health. The code authority shall submit to the Administrator before 1934, a list of such operations or occupations.

It is provided, however, that where a State Law prescribes a higher minimum age, no person below the age specified by such State Law shall be employed within such state.

Section 3. Classification of Employees.

No employer shall reclassify employees or duties of occupations performed or engage in any other subterfuge for the purpose of defeating the purposes of provisions of the Act or of this code.

Section 4. Posting.

All employers shall post complete copies of the labor provisions of this code in conspicuous places accessible to all employees and shall post the address of the Divisional Code Authority.

Section 5. State Laws.

No provision of this code shall supersede any State or Federal law which imposes on employers more stringent requirements as to age of employees, wages, hours of work, or conditions of employment than are imposed by this code.

ARTICLE IV

Hours of Labor.

Section 1.

(a) No employee shall work or be permitted to work in excess of

eight hours in any day or forty hours per week averaged over a period of fifty-two weeks, but in no case shall any employee work or be permitted to work in excess of forty-eight hours, in any week.

(b) No employee may work more than six days out of seven.

Section 2.

(a) The maximum hours fixed in the foregoing section shall not apply to employees on emergency, maintenance and repair work or emergencies which threaten serious loss through spoilage, fire and/or railroad embargoes, provided that any employee working beyond eight hours per day and forty-eight hours per week shall be compensated by at least time and one third and reports shall be made monthly to the Code Authority stating the number of hours so worked in excess of the maximum, and the reasons for the work in excess of the maximum hours herein provided.

(b) The provisions of section 1 shall not apply to executives, managers, superintendents and technical men who regularly receive a minimum of \$35.00 per week, in any city of 250,000 or more, or in the immediate trade area of such a city.

(c) The provisions of section 1 shall not apply to executives, managers, superintendents, foremen and technical men who regularly receive a minimum of \$27.50 per week, in any city of less than 250,000 population, or in the immediate trade area of such city.

(d) The provisions of section 1 shall not apply to executives, managers, superintendents and foremen in cities, towns or communities of 5,000 population or less, or in the immediate trade area of such city, town or community, who regularly receive a minimum of \$25.00 per week;

nor to cashiers, bookkeepers, weighers, outside salesmen, outside seed buyers, chemists and those in technical training who regularly receive not less than \$25.00 per week.

(d) Watchmen shall be exempt from the provisions of Section 1 (a) and (b) but shall receive not less than the minimum hourly rates provided in this code. The overtime provisions of this code shall not apply to watchmen. Watchmen who are employed for seven days a week shall receive not less than \$16.00 per week.

(f) Power plant operators may work four hours per week in excess of the maximum hours set forth in Section 1 (a) of this article at their normal rate of pay. A tolerance of an additional four hours per week may be allowed provided 133 1/3% of the normal rate of pay shall be paid for said tolerance.

ARTICLE V

Wages.

Section 1. In establishing rates of wages the cottonseed crushing industry shall be divided geographically into the following zones:

Zone 1: Virginia, North Carolina, South Carolina, Georgia, Alabama, Florida.

Zone 2: Kentucky, Tennessee, Mississippi, Louisiana, Arkansas, Missouri.

Zone 3: Oklahoma, Texas, Illinois.

Zone 4: Arizona, California, New Mexico.

No employee shall be paid less than the following rates in the zones herein established:

Zone 1: 18 cents per hour.

Zone 2: 20 cents per hour.

Zone 3: 22 $\frac{1}{2}$ cents per hour.

Zone 4: 30 cents per hour.

The foregoing rates shall be minimum rates of wages, with the following exceptions: in two-press mills or in three-press mills, located in small towns of less than five thousand population, according to the census of 1930, no employee shall be paid less than sixteen (16) cents per hour, in all of the states in Zone 1, and in Louisiana and Mississippi in Zone 2.

Section 2.

The rates of wages herein provided shall remain in effect only up to July 31, 1934, and shall thereafter be subject to revisions upward. The Code Authority shall recommend to the Administrator for his approval not later than June 30, 1934, wage schedules which shall not be lower than the wage schedules hereinbefore provided in this code.

Section 3.

The weekly wages of employees receiving more than the minimum wages specified in this article shall not be reduced below the rates existing during the season 1932-33, notwithstanding any reduction in the number of working hours of such employees. There shall be an equitable adjustment upward of wages above the minimum to maintain fair differentials. This shall not apply to employees receiving more than \$30.00 per week.

Section 4.

This article establishes a minimum rate of pay which shall apply irrespective of whether an employee is compensated on a time rate, piece work, or other basis.

Section 5.

Female employees performing substantially the same work as male employees shall receive the same rate of pay as male employees.

Section 6.

After the effective date of this code wages shall be exempt from any charges, fines, and/or deductions accruing to the benefit of the employer, except with the written consent of the employee or by court order.

ARTICLE VI

Organization, Powers and Duties
of the Code Authority.

Section 1. Code Authority.

(a) The National Committee. A Code Authority to be known as the National Committee shall be established for the purpose of assisting in the administration, supervision and promotion of the performance of the provisions of this code. Except as the jurisdiction of the Secretary and the Administrator may hereafter be changed pursuant to order of the President, the Code Authority shall assist the Administrator in all matters relating to the administration of provisions in this code relating to hours of labor, rates of pay, and other conditions of employment, and shall assist the Secretary in all matters relating to the administration of all the other provisions of this code.

(b) 1. The Code Authority shall consist of the chairmen of the state and regional committees created pursuant to subsection b-2 of this section, to assist the National Committee in the administration of this code. Alternates shall be selected in the same manner as members of the committee and shall have the right to sit in all meetings of the committee.

2. State Committees. Under the provision of the Secretary and Administrator, state and regional committees shall be set up initially in the following manner, and thereafter shall be continued under the supervision of the National Committee subject to the supervision of the Secretary and the Administrator:

Within fifteen (15) days after the effective date of this code, as fixed by the Secretary, and thereafter annually on the first Tuesday of May, the members of the industry of each state shall elect a State Committee of five members and alternates. However, two or more adjacent states may elect a single committee to represent such states and the state of Texas may elect two committees, to be known as the North Texas and the South Texas committees, to be elected by the mills located north and south of the northern boundaries of the following counties: Shelby, Macgdoches, Angelina, Houston, Leon, Robertson, Milan, Williamson, Burnet, Llano, Gillespie, Kerr, Edwards, and Valverde. Alternates shall have the right to sit in all meetings of the committee. No two members of the committee shall represent the same mill interests, but alternates may represent at the same mill interests as the member he replaces. Members of the committee shall be elected by vote of the committee to act as chairman and vice-chairman who shall also be member and alternate respectively on the National

Committee.

Right to Vote. On all matters on which they shall have the right to vote, each member of the industry shall have one vote.

Members of the State and National Committees shall be subject to the disapproval of the Secretary.

3. In addition to the membership as provided in paragraph b-1 of this section, the Secretary and the Administrator may each appoint not more than three representatives to serve for such terms as they may specify, who shall be entitled to sit without vote in all meetings of the National Committee, for which purpose they shall receive due notice of all meetings in time to permit their attendance and they shall receive copy of the minutes of all meetings, and have access to all books, records, reports and data open to the committee and to their principals. At their option, such representatives may also be privileged to receive similar notice of the meetings of any or all of the state and regional committees, to sit in their meetings, receive copies of minutes of meetings and have access to the books, records and data of such state committees.

(c) Information about members. Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restrictions on membership, and (2) submit to the Secretary and the Administrator true copies of its Articles of Association, Bylaws, regulations, and any amendments when made thereto, together with such other information as to membership, organization, and activities as the Secretary

or the Administrator may deem necessary to effectuate the purposes of the Act.

(d) Modification of Code Authority. In order that the Code Authority shall at all times be truly representative of the industry and in other respects comply with the provisions of the Act, the Secretary or the Administrator may prescribe such hearings as he may deem proper; and thereafter, if he shall find that the Code Authority is not truly representative or does not in other respects comply with the provisions of the Act, may require an appropriate modification in the method of selection of the Code Authority, or take such other action as the evidence adduced at the hearing may warrant.

(e) Finances. Funds for the payment of the expenses of the National Committee and the state committees shall be levied on all members of the industry on a per ton basis, on the quantity of cottonseed crushed during the quarters ending on the last day of March, June, September, and December next preceding any levy. Provided; that the total levy shall not exceed _____ cents per ton for the National Committee and _____ cents per ton for any state committee.

As provided in subsection a-4 of section 2 of this Article, all levies shall be fixed by the National Committee in accordance with budgets approved by it for its own operations, and for the operations of the several state committees, as proposed by them. Funds so levied shall be collected by the several state committees and that part designed for the National Committee shall be transmitted promptly to the National Committee.

(f) Liabilities of committee members. Nothing contained in this code shall constitute the members of the Code Authority partners for any purpose. Nor shall any member of the Code Authority be liable in any manner to anyone for any act of any other member, officer, agent or employee of the Code Authority. Nor shall any member of the Code Authority, exercising reasonable diligence in the conduct of his duties hereunder, be liable to anyone for any action or omission to act under this code, except for his own wilful malfeasance or non-feasance.

(g) Veto of Secretary. If the Secretary or the Administrator shall determine as to matters subject to their respective jurisdiction that any action of the Code Authority or any agency thereof may be unfair, or unjust, or contrary to the public interest, the Secretary or the Administrator, as the case may be, may require that such action be suspended to afford an opportunity for investigation of the merits of such action and further consideration by such Code Authority or agency pending final action which shall not be effective unless the Secretary or the Administrator approves, or unless he shall fail to disapprove after thirty days notice to him of intention to proceed with such action in its original or modified form.

Section 2. Powers and Duties.

(a) Duties of National Committee. In all matters relating to the administration of the Provisions of this code, excepting those relating to hours of labor, rates of pay and other conditions of employment, (except as the jurisdiction of the Secretary and the Administrator may hereafter be changed pursuant to order of the President) the Code

Authority shall have the following further powers and duties, the exercise of which shall be reported to the Secretary:

(1) Have full responsibility and authority for the execution of the provisions of this code, including the supervision of the activities of the state committees, subject to rules and regulations that may be issued by the Secretary, and subject also to the disapproval of the Secretary as to all other matters; provided that if, and when, disapproved, any action of the National Committee and its subsidiary agencies shall be suspended forthwith.

(2) Adopt bylaws, rules and regulations for the procedure of itself and its subsidiaries.

(3) Employ such persons and incur such expenses as may be required in the performance of its duties within the limits of its budget allowance.

(4) Levy, and collect from, members of the industry in cooperation with state committees, on a per ton basis, such funds as may be required for the purposes of such committees, in accordance with the provisions of paragraph (e) of section 2 of this Article.

(5) Obtain from members of the industry such information and reports as may be necessary for the administration of this code.
Provided: no such individual reports shall be disclosed to any other member of the industry or to any other party, except as may be directed by the Secretary or provided in this Code.

(6) Receive complaints of alleged violations of this code and investigate the same and make findings with reference thereto, issue

warning to such violators, and in the case of flagrant violations, make recommendations to the Secretary and/or the Administrator relating to the invocation of penalties provided in the Act. Provided, however, that if a member or alternate of such committee shall in any case be a party charged with violation of this code (or the representative of such a party), he shall, for the purposes of the investigation of said allegation and determination of the issue, be deprived of all his rights, duties and privileges as a member or alternate of the state committee. Any order or ruling of the National Committee shall be subject to a right of appeal to the Secretary.

(7) Arrange for and provide rules and regulations concerning the arbitration of disputes relating to the quality of cottonseed or first products and/or the terms of any contract involving these materials.

(8) Arrange for and provide rules and regulations concerning standard methods of chemical analysis to be used under this code in the analysis of cottonseed and its first products.

(9) Make recommendations to the Secretary for the coordination of the administration of this code with such other codes, if any, as may be related to the industry or affect the members of the industry.

(10) Recommend to the Secretary any action or measures deemed advisable, including amendments to this code and measures for industrial planning.

(11) Subject to the consent of members of the industry to make accessible to the Secretary, as he may decide them to be necessary, their books, records and accounts, the National Committee may collect reports from members and assemble data adequate to determine average minimum and maximum spreads to be allowed to members of the industry, in any state or district or throughout the territory under this code.

(b) Duties of State Committees.

The several state and regional committees shall have such duties and authority as may be assigned to them by the National Committee in the exercise of the functions of the Code Authority, and their opinions, judgments and facilities shall be utilized in as large a measure as practicable, in the interest of decentralized administration. To this end, the state committees shall be free to make proposals to the National Committee for the effectuation of the purposes of this code and shall have the right of appeal to the Secretary and/or the Administrator.

ARTICLE VIII

Unfair Methods of Competition

The following practices, involving cottonseed and its first products, constitute unfair methods of competition and are prohibited; Provided: that the Code Authority shall warn violators of any of these provisions and shall satisfy itself of their flagrant persistence, before invoking the penalties of the Act:

Section 1. To purchase cottonseed for crushing and extraction of oil, meal, and other standard products, and to sell, exchange, or trade in the first products of the cottonseed crushing industry, without conforming to those parts of the Trading Rules of the National Cottonseed Products Association appended to this code and made a part thereof as Exhibit "A". (a) Provided, that Rules 40, 140 and 240 comply with Official Standards methods as approved by the Secretary May 25, 1932 or as amended by him from time to time. (b) Provided, further, that any changes in or amendments to these trading rules as here appended shall be subject to the disapproval of the Secretary. (c) Provided, further, that as to such rules requiring purchase of cottonseed on grade, these shall apply to all lots of seed of one carload or more, and as to all lots of less than a carload, the seller shall have the option to specify in the contract, for purchase by grade in accordance with such rules, the sampling and grading to be done by an approved sampler and chemist of his selection. (d) Provided, further, that when and after the Secretary shall have entered into a marketing agreement with cotton ginners providing for the determination of the community grade of cottonseed from week to week for each gin; thereafter the purchases of all such cottonseed will be in accordance with the grading so determined in each gin community.

(e) Provided, further, that when and after the Secretary shall have established a system of supervision, sampling, analyzing and grading of cottonseed by means of licensed samplers, chemists, and/or graders and/or otherwise, all parties to a contract for the purchase, sale or exchange of cottonseed shall use only such licensed persons for the purposes of the contract.

Section 2. To enter into a transaction involving the purchase, sale, or exchange of cottonseed or its first products without a duly authorized written contract, in form approved by the Code Authority, embodying a definite understanding on all essential points, or to postdate or predate a contract from the actual date of the agreement. Standard forms of contracts for this purpose shall be prepared by the Code Authority.

Section 3. To fail to report bona fide prices and bids and conditions of contract promptly to the Code Authority in accordance with the provisions of Article IX, sections 3 and 4, for the reporting of prices and the publication of market information.

Section 4. To discriminate between sellers or buyers in price or other essential terms, not justified by the circumstances of the transaction.

Section 5. To alter contracts from their initial, completed form.

Section 6. To abrogate a contract, save for legal cause, and then in accordance with arrangements and rules for arbitration that may be made by the Code Authority.

Section 7. To fail to observe rates, terms and regulations relating to transportation, periods for shipment, free storage period, storage of other than mill owned cottonseed and its first products in mill properties, extension of loans and credits or other forms of allowances,

or other conditions relating to the handling of cottonseed and its first products that may be promulgated by the Code Authority.

Section 8. To sell cottonseed first products that are not plainly and accurately described and branded in full compliance with legal requirements and the provisions of Trading Rules presented in Exhibit "A" of this code.

Section 9. To sell on consignment.

Section 10. To guarantee prices against rise or decline.

Section 11. To refuse to arbitrate any dispute over the terms of a contract or the quality of cottonseed and/or its first products in accordance with arrangements and regulations made by the Code Authority.

Section 12. To defame a competitor by falsely imputing to such competitor dishonorable conduct, questionable credit standing or inability to perform a contract, with the purpose to mislead or deceive a potential patron or competitor.

Section 13. To give, pay, promise to give or pay, either directly or indirectly, to any patron or the employee of any patron, either buyer or seller, or of an associated agency of either, any rebate, free drayage or storage, gratuity, gift, bribe or other payment, premium or special reward whatsoever, beyond the regular and legitimate price and terms named in the contract. Provided, that nothing in this section shall be construed to interfere with or prevent the distribution to members and patrons of cooperative associations, of dividends or reserves from properly earned income.

ARTICLE IX

Economic Operation

Section 1. Regulation of Mill Capacity. Members of the industry consent that additional mills shall not be erected, mills dormant since August 1, 1931 reopened, old mills relocated or enlarged, or mills used for the crushing of other seeds adapted to the crushing of cottonseed, until it is shown to the satisfaction of the Secretary that the new mill capacity proposed by an applicant is justified by all the circumstances involved. Provided, however, that nothing in this section shall prevent the replacement of old, worn or destroyed apparatus or equipment or building in active mills, without increase of capacity. Provided, further, that any mill with its associated building and machinery that may have been dismantled or have remained dormant during the period specified in this Code, under the provisions of a contract not to operate for a stated period may be exempt from the restriction of this Section at the end of its contract period if and when the Secretary is satisfied as to the legitimacy and conditions of the contract. Provided, further, that as a condition precedent to such restriction, the members of the industry shall make available to the Secretary their books, records and accounts under the provisions of Article X, section 3, for the determination of all the facts necessary, in his judgment, to determine the essential facts involved in a decision of the needed mill facilities for the industry.

Application for the right to construct added mill facilities shall be made through the Code Authority, which shall investigate all the circumstances touching the application and transmit its findings and recommendations to the Secretary with the application.

Section 2. Adjustment of Mill Capacity to Seasonal Needs. The members of the industry consent that the Code Authority shall determine, as of August 15, the estimated production of cottonseed in the territory of each state and district committee set up under this authority, and if it shall be shown that the crushing capacity is larger in any such state

or district than is compatible with economical crusher operation, it shall devise equitable plans for the retirement of a suitable part of such active crusher capacity, subject to the mutual agreement of the mills to be suspended and of not less than 75 percent of the owners of the mills in the district affected and also subject to the disapproval of the Secretary.

Provided, the members of the industry in such state or district shall make available to the Secretary, under the provisions of Article X, section 3, their books and records necessary, in his judgment, to determine the essential facts involving in a decision of the needed mill capacity and its allocation in any season.

Section 3. Open Price System. Within 60 days after the effective date of this code each member of the industry shall file with the Code Authority the price being bid and paid for basis grade cottonseed and his wholesale and retail price schedules for each of the first products in the several markets, including package, quality, quantity, special differentials and any other essential conditions.

Thereafter he shall promptly report to the Code Authority any change in these prices and conditions. Notice of all proposed changes in prices bid for seed and/or bid or accepted for first products shall be reported by telegram during the period from 9 a.m. to 4 o'clock p.m. and shall not take effect until one hour after the time of filing the telegram.

Section 4. Quantities bought and sold. Members shall also report by mail daily (unless otherwise directed by the Code Authority) in form provided by the Code Authority, the quantities of seed and first products bought and/or sold during the preceding 24 hours with price, grades and conditions of the transaction.

Section 5. Value of First Products. From time to time and not less often than once a week, the Code Authority shall compile as estimate of the total value of the first products of a ton of cottonseed of the basis grade, calculating the value of each product from the weighted average of the product prices as reported by the mills on the last day before such publication. These calculations shall be based on the following estimated yields, unless definite and more accurate data shall be available in a particular area: 313 pounds of crude oil, 822 pounds of cake and/or meal of 41.13 percent protein, 125 pounds of linters and 625 pounds of hulls.

Section 6. Publication of Market Information. The Code Authority shall daily compile and make available to the public in all practicable ways including publication, telegraph and radio, all such bias, prices, quantities, grades and conditions for cottonseed and its products and the value of a ton of first products for the information and guidance of the public.

Section 7. Posting Prices. Each mill shall post in a conspicuous place on its property a schedule showing the current prices offered by the mill for cottonseed of the basis grade, together with the last reported value of a ton of cottonseed products; issued by the Code Authority, applicable to that territory, and also the current price for which it will sell cake, meal and hulls at wholesale and retail at the mill.

ARTICLE X

General

Section 1. Modification. This code and all the provisions thereof are expressly made subject to the right of the President of the United States, in accordance with the provisions of sub-section (b) of Section 10 of the

Act, from time to time, to cancel or modify any order, approval, license, rule or regulation issued under said Act.

Section 2. Amendment. This code may be amended at any time for the better effectuation of the purposes and policies of Title I of the Act, upon the recommendation of the Code Authority and the approval of the Secretary and/or the Administrator, each as to the provisions over which he has jurisdiction.

Section 3. Reports. The members of the industry shall severally, from time to time, upon the request of the Secretary (or the Administrator in the case of information relating to hours of labor, rates of pay, and other conditions of employment) furnish such information to such Federal and State agencies on and in accordance with forms of reports supplied to them (which reports shall be verified under oath) as the Secretary or the Administrator may designate and require (1) for the protection of consumers, competitors, employees, and others, and in furtherance of the public interest; (2) for the determination by the Secretary or the Administrator of the extent to which the declared policy of the Act is being effectuated by this code, and (3) for the determination of data upon which to base decisions as to the need for limiting or extending milling facilities and adjusting seasonal mill operation to the supply of cottonseed in accordance with the limitations of Article IX, sections 1 and 2, and as to the data necessary to the determination of average allowable spreads, subject to the limitations of sub-section a-11 of Section 2, Article VI.

Nothing in this code shall relieve any person of existing obligations to furnish reports to government agencies.

No individual reports shall be disclosed to any other member of the industry or any other party except as may be directed by the Secretary or

the Administrator, or authorized by this code.

Section 4. Relation to Future Marketing Agreement and License. If any license is hereafter issued or any marketing agreement hereafter executed, pursuant to provisions of the Agricultural Adjustment Act, containing provisions covering the subject matters referred to in sub-clauses (1) to (7) inclusive of Section 1 of the Executive Order No. 6551 of January 8, 1934, then to that extent such license and/or marketing agreement shall supersede such provisions of this code.

Section 5. Monopolies. No provision of this code shall be so applied as to permit monopolies or monopolistic practices, or to eliminate, oppress, or discriminate against small enterprises.

Section 6. Effective Date. This code shall become effective on the second Monday after its approval by the President.

CODE OF FAIR PRACTICE
OF THE
COTTON SEED CRUSHERS

EXHIBIT A

SELECTED TRADING RULES from the
NATIONAL COTTONSEED PRODUCTS ASSOCIATION
(Edition of 1933-34)

GENERAL

RULE 3. - Divisible Contracts.

RULE 9. - Season's output.

RULE 12. - Sundays and Holidays Excepted.

DEFINITIONS

RULES 20 - 38 inclusive.

GRADES and QUALITY

COTTON SEED (Based on Official Standards
Promulgated by the Secretary of
Agriculture)

RULE 40 - Basis Cotton Seed, Quality Index and Grade.

RULES 50 - 57 - Cotton Seed Oil - Crude.

RULES 90 - 93 - Cotton Seed Cake.

RULES 100 - 104 - Cotton Seed Meal.

RULES 106- 109 - Expeller Cotton Seed Cake and Meal.

RULES 125 - 127 - Cotton Seed Hulls.

RULES 130 - 136 - Cotton Seed Linters.

RULES 137 - 138 - ~~30-32~~ STOCK and Acidulated Stock.

RULE 139 - Tank Bottoms.

ADJUSTMENTS and PERMISSIBLE VARIATIONS

DEDUCTIONS

RULE 140 - Cotton Seed.

RULE 142 - Crude Oil Settlements.

RULE 143 - Cotton Seed Cake or Meal.

PERMISSIBLE VARIATIONS

RULES 145 to 154 (Except Rule 149)

SAMPLING

RULES 240 - 245.

WEIGHING

RULES 250 - 256

194
2300

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★ JUN 7 - 1934 ★
U. S. Department of Agriculture

Tentative Draft
CODE OF FAIR COMPETITION

of the
COTTONSEED CRUSHING INDUSTRY

Revision of May 29, 1934.

ARTICLE I - PURPOSES

To effect the policies of Title I of the National Industrial Recovery Act, this Code is established as a Code of Fair Competition for the Cottonseed Crushing Industry, and its provisions shall be the standards of fair competition for such industry, and shall be binding upon every member thereof.

ARTICLE II - DEFINITIONS

Section 1. The term "Cottonseed Crushing Industry" or "Industry" means the processing and crushing of cottonseed and the production of oil, cake and/or meal, hulls, linters, and other products derived from cotton seed and their sale as such, and such related branches as may from time to time be included under the provisions of this Code by amendment hereof.

Sec. 2. The term "Member of the Industry" or "Member" includes, without limitation, any individual, partnership, association, corporation, or other form of enterprise engaged in the Cottonseed Crushing Industry as defined in section 1 of this article, either as an employer or on his or its own behalf.

Sec. 3. The term "Employee" means any and all persons engaged in the Cottonseed Crushing Industry, however compensated, except a Member of the Industry.

Sec. 4. The term "Employer" means anyone by whom an employee in the Cottonseed Crushing Industry is compensated or employed.

Sec. 5. The terms "Act", "Secretary", and "Administrator" mean respectively, Title I of the National Industrial Recovery Act, the Secretary of Agriculture, or his duly appointed Agent, and the Administrator for Industrial Recovery, or his duly appointed Agent.

Sec. 6. The term "Cottonseed" means the seed of the cotton plant, untreated by either chemical or mechanical process other than the ordinary processes of cleaning, drying, ginning, and/or such sterilization as may be required in defined districts by the Secretary for quarantine purposes.

Sec. 7. The term "Cottonseed Products" or "First Products" means the four principal crude products recovered from cottonseed by crushing mills, including crude oil, cake and/or meal, linters and hulls.

Sec. 8. The term "Mills" means mills used in the processing and crushing of cottonseed and the derivation therefrom of oil, cake and/or meal, hulls, linters, and other products.

Sec. 9. The term "State Committee" means the State Administrative Committees created pursuant to sections 1 and 2 of article VI.

Sec. 10. The term "State" includes Territory and the District of Columbia.

Sec. 11. The term "Official Standards of the United States" means that permissive system of grading, sampling, and analyzing cottonseed sold or offered for sale for crushing purposes as released over the signature of Arthur M. Hyde, Secretary of Agriculture, under date of May 23, 1932, United States Department of Agriculture, Bureau of Agricultural Economics, Service and Regulatory Announcements No. 133, S.R.A.-B.A.E. 133, issued August 1932.

Sec. 12. The term "Basis Grade" means the standard basis grade set

out in the Official Standards of the United States.

Sec. 13. The term "Labor Provisions" shall mean matters relating to the determination and administration of hours of labor, rates of wages, and other conditions of employment within the Industry, under the jurisdiction of the National Recovery Administration.

Sec. 14. The term "Season" means the period beginning August 1 of any year and ending July 31 of the following year.

Sec. 15. The term "Superintendent" means an employee responsible for the mechanical operation of a mill.

Sec. 16. The term "Outside Salesman" means an employee who is engaged primarily in selling products of the Industry away from the premises of the mill which employs him, and who does not deliver.

Sec. 17. The term "Outside Buyer" means an employee who is primarily engaged in buying cottonseed away from the premises of the mill which employs him.

Sec. 18. The term "Watchman" means an employee whose principal duty is watching or guarding the premises and property of his employer.

Sec. 19. Population for the purposes of this Code shall be determined by reference to the latest Federal Census.

ARTICLE III - HOURS OF LABOR.

Section 1.

1. No employee except as herein otherwise expressly provided, shall be permitted to work in excess of eight (8) hours in any one day or forty-eight (48) hours in any one week: Provided, however, That one and one-third times the normal hourly rate shall be paid for all time worked in excess of forty eight (48) hours in any one week.

2. No employee except as herein otherwise expressly provided shall be permitted to work more than six (6) days in any seven (7) days period.

Sec. 2.

1. The maximum hours fixed in the foregoing section shall not apply to employees on maintenance and repair work and on emergencies which threaten serious loss through spoilage, fire, and/or railroad embargoes, or serious interruption of the continuous process: Provided, however, That reports shall be made monthly to the Code Authority stating the number of hours so worked in excess of the maximum, and the reasons for the work in excess of the maximum hours herein provided.

2. The provisions of paragraph 1, section 1 of this article shall not apply to executives, managers, superintendents, foremen, and technical men, who earn regularly not less than thirty-five (35) dollars per week, in any city of 250,000 population or more, or in the immediate trade area of such city.

3. The provisions of paragraph 1, section 1 of this article shall not apply to executives, managers, superintendents, foremen, and technical men, who earn regularly not less than thirty (30) dollars per week, in any city, town or community of 5,000 to 250,000 population, or in the immediate trade area thereof.

4. The provisions of paragraph 1, section 1 of this article shall not apply to executives, managers, superintendents, foremen, and technical men, who earn regularly not less than twenty-seven (27) dollars and fifty (50) cents per week, in any city, town or community of less than 5,000 population, or in the immediate trade area thereof.

5. The provisions of paragraph 1, section 1 of this article shall

not apply to cashiers, bookkeepers, weighers, outside salesmen, outside seed buyers, chemists and those in technical training, who earn regularly not less than twenty-five (25) dollars per week.

6. No power plant operator shall be permitted to work in excess of fifty-two (52) hours per week: Provided, however, That each such power plant operator shall have a tolerance of an additional four (4) hours per week: Provided, further, that all time worked in excess of fifty-two (52) hours per week shall be compensated at one and one-third times the normal hourly rate.

Sec. 3. All time worked on Sundays and National legal holidays in excess of forty-eight (48) hours in any one week shall be compensated at one and one-third times the normal hourly rate.

Section 4. No employer shall knowingly permit any employee to work for any time which, when totaled with that already performed with another employer or other employers in this industry, exceeds the maximum permitted herein.

ARTICLE IV - WAGES.

Section 1.

1. In establishing rates of wages, the Cottonseed Crushing Industry shall be divided geographically into the following zones:

Zone 1:- Virginia, North Carolina, South Carolina, Georgia, Alabama, Florida;

Zone 2:- Kentucky, Tennessee, Mississippi, Louisiana, Arkansas, Missouri;

Zone 3:- Oklahoma, Texas, Illinois, and New Mexico;

Zone 4:- Arizona and California.

2. No employee except as herein otherwise expressly provided, shall be paid less than the following rates in the zones herein established:

Zone 1:- eighteen (18) cents per hour,

Zone 2:- twenty (20) cents per hour,

Zone 3:- twenty-two and one half (22 1/2) cents per hour,

Zone 4:- thirty (30) cents per hour.

3. The foregoing rates shall be the minimum rates of wages with the following exceptions: in one-, two-, and three-press mills, located in small towns of less than 5,000 population or in the immediate trade area thereof, no employee shall be paid less than two (2) cents less per hour than the rate prescribed for the zone in which any such mill is situated.

Sec. 2.

1. No person shall be employed in clerical or other office work at less than the rate of the following schedule of wages:

(a) Sixteen (16) dollars per week in cities of over 1,000,000 population or in the immediate trade area thereof;

(b) Fifteen (15) dollars per week in cities of 500,000 to 1,000,000 population or in the immediate trade area thereof;

(c) Fourteen (14) dollars and fifty (50) cents per week in cities of 250,000 to 500,000 population or in the immediate trade area thereof;

(d) Fourteen (14) dollars per week in cities, towns, or communities of 5,000 to 250,000 population or in the immediate trade area thereof;

(e) Twelve (12) dollars per week in cities, towns or communities of less than 5,000 population or in the immediate trade area thereof.

Sec. 3. This article establishes minima rates of pay, which shall apply irrespective of whether an employee is actually compensated on a time-rate, piece-work, or other basis.

Sec. 4. The weekly wages of employees receiving more than the mini-

minimum wages specified in this article shall not be reduced below the rates existing during the season 1932-1933, notwithstanding any reduction in the number of working hours of such employees. There shall be an equitable adjustment upward of wages above the minimum to maintain fair differentials. This shall not apply to employees receiving twenty-five (25) dollars or more per week.

Sec. 5. Female employees performing substantially the same work as male employees shall receive the same rate as male employees.

Sec. 6. A person whose earning capacity is limited because of age, physical or mental handicap, or other infirmity, may be employed on light work at a wage below the minimum established by this Code, if the employer obtains from the State Authority, designated by the United States Department of Labor, a certificate authorizing such person's employment at such wages and for such hours as shall be stated in the certificate. Such authority shall be guided by the instructions of the United States Department of Labor in issuing certificates to such persons. Each employer shall file monthly with the Code Authority a list of all such persons employed by him, showing the wages paid to, and the maximum hours of work for such employee.

ARTICLE V - GENERAL LABOR PROVISIONS.

Section 1. No person under eighteen (18) years of age shall be employed in the industry.

Sec. 2.

1. Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents,

in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

2. No employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing.

3. Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Sec. 3. No employer shall reclassify employees or duties of occupations performed or engage in any other subterfuge for the purpose of defeating the purposes of provisions of the Act or of this Code.

Sec. 4. Every employer shall provide for the safety and health of employees during the hours and at the places of their employment. Standards for safety and health shall be submitted by the Code Authority to the Administrator within six (6) months after the effective date of this Code.

Sec. 5. No provision in this Code shall supersede any State or Federal law which imposes on employers more stringent requirements as to age of employees, wages, hours of work, or as to safety, health, sanitary or general working conditions, or insurance, or fire protection, than are imposed by this Code.

Sec. 6. All employers shall post and keep posted copies of this Code in conspicuous places accessible to all employees. Every Member of the Industry shall comply with all rules and regulations relative to the posting of provisions of Codes of Fair Competition which may from time to time be prescribed by the Administrator.

Sec. 7. After the effective date of this Code, wages shall be exempt from fines; and from any charges and/or deductions imposed by the employer except with the written consent of the employee or when required by law.

ARTICLE VI - ORGANIZATION, POWERS AND DUTIES OF THE
CODE AUTHORITY.

Section 1. Code Authority.

1. A Code Authority shall be established for the purpose of assisting in the administration, supervision and promotion of the performance of the provisions of this Code. Except as the jurisdiction of the Secretary and the Administrator may hereafter be changed pursuant to order of the President, the Code Authority shall assist the Administrator in all matters relating to the administration of provisions in this Code relating to hours or labor, rates of pay, and other conditions of employment, and shall assist the Secretary in all matters relating to the administration of all the other provisions of this Code.

(a) The Code Authority shall consist of the Chairman of the State and Regional Committees created pursuant to sub-paragraph (b), paragraph 1, of this section. Each State or Regional Committee may also elect an alternate who shall have the right to sit in all meetings of the Code Authority, but without vote except in the absence of the member for whom he is alternate.

(b) Within fifteen (15) days after the effective date of this Code, and thereafter annually on the first Tuesday in May, the Members of the Industry in each State shall elect a State Committee of Five Members and five Alternates. However, two or more adjacent

States may elect a single committee to represent such States, and the State of Texas may elect three Committees, to be known as the South Texas, North Texas and the West-Texas-New Mexico Committees, to be elected by the mills within the following boundaries: the territory south of the northern boundaries of Shelby, Nacagdoches, Angelina, Houston, Leon, Robertson, Milan, Williamson, Burnett, Llano, Gillespie, Kerr, Edwards and Val Verde Counties to be South Texas; the territory north of the northern boundaries of Shelby, Nacagdoches, Angleina, Houston, Leon, Robertson, Milan, Williamson and Burnett Counties, and east of the eastern boundaries of San Saba, Mills, Comanche, Eastland, Stevens, Young and Clay Counties will be North Texas; the remainder of the State of Texas and the State of New Mexico will be West Texas-New Mexico. An Alternate shall have the right to sit in all meetings of the Committee to which he has been elected, but without vote except when acting for an absent Member. No two Members of the Committee shall represent the same mill or company, but alternates may represent the same mill or company as the mill he replaces. Each State Committee shall elect a Chairman who shall also act as a member of the Code Authority.

(c) On all matters on which they shall have the right to vote, each Mill shall have one vote.

(d) Members of the State and National Committees shall be subject to the disapproval of the Secretary and/or the Administrator.

(e) In addition to the membership as provided in sub-paragraph

(a), paragraph 1 of this section, the Secretary and the Administrator may each appoint not more than three Representatives to serve for such terms as they may specify, who shall be entitled to sit without vote in all meetings of the Code Authority for which purpose they shall receive due notice of all meetings in time to permit their attendance and they shall receive copies of the minutes of all meetings, and have access to all books, records, reports, and data open to the Code Authority. At their option, such Representatives may also be privileged to receive similar notice of the meetings of any or all of the State and Regional Committees, to sit in their meetings, receive copies of minutes of meetings and have access to the books, records, and data open to such State Committees.

2. Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restrictions on membership, and (2) submit to the Secretary and the Administrator true copies of its Articles of Association, by laws, regulations, and any amendments when made thereto, together with such other information as to membership, organization, and activities as the Secretary or the Administrator may deem necessary to effectuate the purposes of the Act.

3. In order that the Code Authority shall at all times be truly representative of the Industry and in other respects comply with the provisions of the Act, the Secretary or the Administrator may prescribe

such hearings as he may deem proper; and thereafter, if he shall find that the Code Authority is not truly representative or does not in other respects comply with the provisions of the Act, may require an appropriate modification in the method of selection of the Code Authority, or take such other action as the evidence adduced at the hearing may warrant.

4. Nothing contained in this Code shall constitute the Members of the Code Authority partners for any purpose. Nor shall any Member of the Code Authority be liable in any manner to anyone for any act of any other Member, Officer, Agent or Employee of the Code Authority. Nor shall any Member of the Code Authority, exercising reasonable diligence in the conduct of his duties hereunder, be liable to anyone for any action or omission to act under this Code, except for his own wilful malfeasance or nonfeasance.

5. If the Secretary or the Administrator shall determine as to matters subject to their respective jurisdiction that any action of the Code Authority or any agency thereof may be unfair, or unjust, or contrary to the public interest, the Secretary or the Administrator, as the case may be, may require that such action be suspended to afford an opportunity for investigation of the merits of such action and further consideration by such Code Authority or agency pending final action which shall not be effective unless the Secretary or the Administrator approves, or unless he shall fail to disapprove after thirty days' notice to him of intention to proceed with such action in its original or modified form.

Sec. 2.

1. It being found necessary, in order to support the administration of this Code and to maintain the standards of fair competition

established by this Code and to effectuate the policy of the Act, the Code Authority is authorized, subject to the approval of the Secretary and/or the Administrator:

(a) To incur such reasonable obligations as are necessary and proper for the foregoing purposes and to meet such obligations out of funds which may be raised as hereinafter provided and which shall be held in trust for the purposes of this Code.

(b) To submit to the Secretary and/or the Administrator for his approval, subject to such notice and opportunity to be heard as he may deem necessary, (1) an itemized budget of its estimated expenses for the foregoing purposes, and (2) an equitable basis upon which the funds necessary to support such budget shall be contributed by Members of the Industry.

(c) After such budget and basis of contribution have been approved by the Administrator, to determine and secure equitable contribution as above set forth by all such Members of the Industry, and to that end, if necessary, to institute legal proceedings therefor in its own name.

Sec. 3. Only Members of the Industry complying with the Code and contributing to the expenses of its administration as provided in section 2 of this article shall be entitled to participate in the selection of the Members of the Code Authority or to receive the benefit of its voluntary activities or to make use of any emblem or insignia of the National Recovery Administration.

Sec. 4.

1. In all matters relating to the administration of the provisions

of this Code, excepting those relating to hours of labor, rates of pay, and other conditions of employment, (except as to the jurisdiction of the Secretary and the Administrator may hereafter be changed pursuant to order of the President) the Code Authority shall have the following further powers and duties, the exercise of which shall be reported to the Secretary:

(a) It shall have full responsibility and authority for the execution of the provisions of this Code, including the supervision of the activities of the State Committees, subject to rules and regulations that may be issued by the Secretary, and subject also to the disapproval of the Secretary as to all other matters: Provided, That if, and when disapproved, any action of the Code Authority and its subsidiary agencies shall be suspended forthwith.

(b) To adopt by laws, rules and regulations for the procedure of itself and its subsidiaries.

(c) To employ such persons and incur such expenses as may be required in the performance of its duties within the limits of its budget allowance.

(d) To assess and collect from Members of the Industry in cooperation with State Committees, such funds as may be required for the purposes of such Committees, in accordance with the provisions of section 2 of this article.

(e) To obtain from Members of the Industry such information and reports as may be necessary for the administration of

this Code: Provided, No such individual reports shall be disclosed to any other Member of the Industry or to any other party, except as may be directed by the Secretary or provided in this Code.

(f) To receive complaints of alleged violations of this Code and investigate the same and make findings with reference thereto, issue warning to such violators, and in the case of flagrant violations, make recommendations to the Secretary relating to the invocation of penalties provided in the Act. Provided, however, That is a Member or Alternate of the Code Authority or of a State Committee shall in any case be a party charged with violation of this Code (or the representative of such a party), he shall, for the purposes of the investigation of said allegation and determination of the issue, be deprived of all his rights, duties and privileges as a Member or Alternate of the Code Authority or of a State Committee. Any order or ruling of the Code Authority shall be subject to a right of appeal to the Secretary.

(g) To make recommendations to the Secretary for the coordination of the administration of this Code with such other codes, if any, as may be related to the Industry or affect the Members of the Industry.

(h) To recommend to the Secretary any action or measures deemed advisable, including amendments to this Code and measures for industrial planning.

(i) Subject to the consent of Members of the Industry to make accessible to the Secretary, as he may decide them to be necessary, their books, records and accounts, to collect reports from Members and assemble data adequate to determine average costs of assembling and processing cottonseed and the selling of first products in any state or district or throughout the territory under this Code.

(j) To make a survey of mill capacity including probable supplies of seed in all parts of the Cotton Belt, together with costs of processing and efficiency of mill operation, and to formulate and submit to the Secretary specific recommendations looking toward reduction limitation and relocation of mill capacity.

(k) Subject to the approval of the Secretary, to prescribe such rules and regulations as may be necessary for the enforcement of Section 1, Article VIII of this Code.

2. The several State and Regional Committees shall have duties and authority as may be assigned to them by the Code Authority in the exercise of the functions of the Code Authority, and their opinions, judgments and facilities shall be utilized in as large a measure as practicable, in the interest of decentralized administration. To this end, the State Committees shall be free to make proposals to the Code Authority for the effectuation of the purposes of this Code and shall have the right of appeal to the Secretary and/or the Administrator.

3. In all matters relating to the administration of the provisions of this Code relating to hours of labor, rates of pay and other conditions of employment (except as the jurisdiction of the Secretary

and the Administrator may hereafter be changed pursuant to the order of the President) the Code Authority will have the following duties, the exercise of which shall be reported to the Administrator:

(a) To insure the execution of the provisions of this Code and provide for the compliance of the Industry with the provisions of the Act.

(b) To adopt bylaws and rules and regulations for its procedure and for the administration and enforcement of this Code.

(c) To obtain from Members of the Industry such information and reports as are required for the administration of this Code and to provide for submission by Members of such information and reports as the Administrator may deem necessary for the purposes recited in Section 3 (a) of the Act, which information and reports shall be submitted by Members to such administrative and/or government agencies as the Administrator may designate: Provided: That nothing in this Code shall relieve any Member of the Industry of any existing obligations to furnish reports to any government agency. No individual reports shall be disclosed to any other Member of the Industry or any other party except to such governmental agencies as may be directed by the Administrator.

(d) To use such trade associations and other agencies as it deems proper for the carrying out of any of the activities provided for herein: Provided, That nothing herein shall relieve the Code Authority of its duties or responsibilities under this Code and that such trade associations and agencies shall at

all times be subject to and comply with the provisions hereof.

(e) To make recommendations to the Administrator for the coordination of the administration of this Code with such other codes, if any, as may be related to the Industry.

(f) To secure from Members of the Industry an equitable and proportionate payment of the reasonable expenses of maintaining the activities of the Code Authority and the State Committees.

(g) To cooperate with the Administrator in regulating the use of any N.R.A. insignia solely by those Members of the Industry who have assented to, and are complying with this Code.

(h) To recommend to the Administrator further fair trade practice provisions to govern Members of the Industry in their relations with each other and with other industries and to recommend to the Administrator measures for industrial planning, including stabilization of employment.

ARTICLE VII - UNFAIR METHODS OF COMPETITION.

The following practices, involving cottonseed and its first products, constitute unfair methods of competition and are prohibited.

Section 1. To enter into a transaction involving the purchase, sale, or exchange of cottonseed or its first products in carlots or more without a duly authorized written contract, in form approved by the Code Authority, embodying a definite understanding as to fixed tonnage and date of delivery, or to postdate or predate a contract from the actual date of the agreement. Standard forms of contracts for this purpose shall be prepared by the Code Authority, subject to the approval of the Secretary.

Sec. 2. To fail to report changes in prices paid for seed and prices accepted for first products promptly to the Code Authority where required in accordance with the provisions of section 2 of article VIII, for the reporting of prices and the publication of market information.

Sec. 3. To discriminate in prices paid for cotton seed of equal quality and grade between sellers of seed or in the prices accepted for first products from buyers of such products.

Sec. 4. To abrogate or alter a contract for purchase of cottonseed or sale of first products save for legal cause.

Sec. 5. To fail to observe rate, terms and regulations relating to transportation, periods for shipment, extension of loans and credits, or other conditions relating to the handling of cottonseed and its first products that may be promulgated by the Code Authority, subject to the approval of the Secretary.

Sec. 6. To guarantee cottonseed prices against advance or decline.

Sec. 7. To give, pay, promise to give or pay, either directly or indirectly, to any patron or the employee of any patron, either buyer or seller, or of an associated agency of either, for the purpose of controlling specific lots of seed, any rebate, from drayage or storage, gratuity, gift, brokerage fee, bribe or other payment, premium or special reward whatsoever, beyond the regular and legitimate price and terms named in the contract. Provided, that nothing in this section shall be construed to interfere with or prevent the distribution to members and patrons of bona fide cooperative associations engaged in the crushing of cottonseed of dividends or reserves

from properly earned income.

Section 8. To purchase cottonseed for processing in order to secure oil, meal, and other products, except on analysis and grading according to the Official Standards of the United States, in accordance with the provisions of Section 1 of Article VIII of this Code. Provided, That this section shall apply only in those States which by vote of a majority of the State Committee shall adopt such Official Standards in accordance with the provisions of section 1 of article VIII of this Code.

ARTICLE VIII -- SEED GRADING AND PRICE REPORTING

Section 1. Seed Grading. Any State or Regional Committee may at any time, by majority vote of its entire membership, make mandatory within its jurisdiction the purchase of cottonseed in accordance with the Official Standards of the United States, as described in the Service and Regulatory Announcement No. 133, approved by the Secretary, May 23, 1932 or as amended by him from time to time: Provided, That such action by the State or Regional Committee shall not become effective until the Code Authority shall have prescribed rules and regulations for the enforcement of the provisions of this section. In any State or Region which has by vote so established the purchase of cottonseed in accordance with the Official Standards of the United States, the following subsections shall have full force and effect as a part of this Code:

1. Sampling and grading incident to the purchase of cottonseed by mills shall be done only by samplers and chemists approved by the Code Authority.

2. Full premiums shall be paid and discounts taken by all mills purchasing cottonseed on grade.

3. When and after the Secretary shall have established a system

of supervision of sampling, analyzing, and grading of cottonseed by licensed samplers, chemists, and/or graders and/or otherwise, all parties to a contract for the purchase, sale or exchange of cottonseed shall use only such licensed persons for the purposes of the contract.

4. For purposes of settlement, the grade shall be determined for all purchases of cottonseed of ten (10) tons or more for delivery within ten (10) days. Purchases of smaller lots of cottonseed, whether made at mill or through commission buyers, shall be made on the basis of the average grade of the seed in the community or district in which grown.

5. In all contracts for ten (10) tons of cottonseed or more for delivery within ten (10) days, the seller shall have the option of specifying in the contract, that the sampling and grading shall be done by an approved sampler and an approved chemist of his selection.

Sec. 2. Price Reporting. In all States or Regions in which the grading of seed has been made mandatory in accordance with section 1 of this article, the following sub-sections shall apply and have full force and effect as a part of this Code.

1. Each mill shall post in a conspicuous place on its property schedules showing: (1) the current price which it is paying for cottonseed of the basis grade and (2) current prices for which it will sell cake, meal and hulls at wholesale and retail and all its conditions of sale therewith.

2. Within thirty (30) days after the effective date of this Code, each Member of the Industry shall file with the State Committee (1) the price which it is paying for cottonseed of the basis grade and (2) his price schedules for each of the first products in the several market

which schedules shall include differentials for package, quality, quantity and any other essential conditions of sale. Thereafter he shall report promptly by telegram to the State Committee any changes in these prices and conditions of sale.

3. The Code Authority shall, through the agency of the State Committees, make available to the members of the Industry and to the public during the usual business hours, all prices and terms of conditions of purchase and sale, reported by the Members of the Industry under the provisions of section 2 of this Article. At least once in each week the Code Authority, through the agency of the State Committees, shall publish in all practicable ways, which may include publication in newspaper and/or by telegraph and radio, an adequate summary of price reports received in accordance with the provisions of section 2 of this Article.

4. From time to time and not less often than once a week, the State or Regional Committees under the direction of the Code Authority shall compile an estimate of the total value of the first products of a ton of cottonseed of the basis grade, calculating the value of each product from the weighted average of the product prices as reported by the mills in that section or region, on the last day before such publication. These calculations shall be based on the following estimated yields, unless definite and more accurate data shall be available in a particular area; 313 pounds of crude oil, 822 pounds of cake and/or meal of 41.13 percent protein, 125 pounds of linters and 625 pounds of hulls. The products value so calculated shall be released to the

press and otherwise published in all practicable ways for the information and guidance of the public.

5. The Code Authority shall have the power, subject to the approval of the Secretary, to draft, promulgate and enforce such rules and regulations as may be necessary to make effective the provisions of this Article.

Sec. 3. In order that the producer, the consumer, and the mills shall be advised of prices and conditions of sale in states which do not prescribe grading in accordance with the Official Standards, the State Committee in each of such states shall submit to the Code Authority a plan for the establishment of a price reporting system which after approval by the Secretary shall have full force and effect as a part of this Code.

ARTICLE IX - GENERAL

Section 1. Modification. This Code and all the provisions thereof are expressly made subject to the right of the President of the United States, in accordance with the provisions of sub-section (b) of Section 10 of the Act, from time to time, to cancel or modify any order, approval, license, rule or regulation issued under said Act.

Sec. 2. Amendment. This Code may be amended at any time for the better effectuation of the purposes and policies of Title I of the Act, upon the recommendation of the Code Authority and the approval of the Secretary and/or the Administrator, each as to the provisions over which he has jurisdiction.

Sec. 3. Reports

1. The members of the Industry shall severally, from time to time, upon the request of the Secretary (or the Adminis-

trator in the case of information relating to hours of labor, rates of pay, and other conditions of employment) furnish such information to such Federal and State agencies on and in accordance with forms of reports supplied to them (which reports shall be verified under oath) as the Secretary or the Administrator may designate and require (1) for the protection of consumers, competitors, employees, and others, and in furtherance of the public interest; (2) for the determination by the Secretary or the Administrator of the extent to which the declared policy of the Act is being effectuated by this Code.

2. Nothing in this Code shall relieve any person of existing obligations to furnish reports to government agencies.

3. No individual reports shall be disclosed to any other Member of the Industry or any other party except as may be directed by the Secretary or the Administrator, or authorized by this Code.

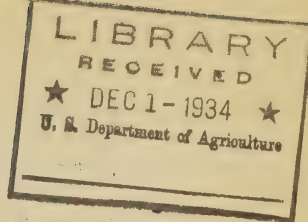
Sec. 4. If any license is hereafter issued or any marketing agreement hereafter executed, pursuant to provisions of the Agricultural Adjustment Act, containing provisions covering the subject matters referred to in sub-clauses (1) to (7) inclusive of section 1 of the Executive Order 6551 of January 8, 1934, then to that extent such license and/or marketing agreement shall supersede such provisions of this Code.

Sec. 5. No provision of this Code shall be so applied as to permit monopolies or monopolistic practices, or to eliminate, oppress, or discriminate against small enterprises.

Sec. 6. This Code shall become effective on the second Monday after its approval by the President.

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PROPOSED
CODE OF FAIR COMPETITION
FOR THE
RAW COTTON TRADE



Revision of October -6, 1934

ARTICLE I--PURPOSES

To effect the policies of Title I of the National Industrial Recovery Act, this Code is submitted as a Code of Fair Competition for the Raw Cotton Trade, and upon approval its provisions shall be the standards of fair competition for such Trade, and shall be binding upon every member thereof.

ARTICLE II--DEFINITIONS

As used in this Code, the term:

Section 1. "Raw Cotton Trade" or "Trade" means the business of buying and/or selling and/or trading in and/or marketing of raw cotton and includes the department or unit of cotton textile mills concerned with the purchase of raw cotton.

Section 2. "Member of the trade" or "Member" means any individual person, partnership, association, corporation or other form of enterprise, and the subsidiaries and/or affiliates thereof insofar as they are engaged as principal or agent in the Raw Cotton Trade as defined in section 1 above, either as an employer or on his or its own behalf and without excluding others, includes the following:

1. "First buyer" means any person who buys cotton directly from producers, and includes local buyers and/or f.o.b. buyers operating for their own accounts; representatives of shippers and/or manufacturers, whether salaried or commissioned or both; farmers' cooperative associations; ginnermen, supply merchants, bankers, and warehousemen in their

capacity as buyers of or dealers in raw cotton.

2. "Shipper" means any person who for his own account buys cotton for resale and shipment to merchants or manufacturers, or who, having made such a sale, buys the cotton for its fulfillment.

3. "Merchant" means any person who for his own account accumulates and carries stocks of cotton from which he sells and/or ships in lots to shippers, other merchants, or to manufacturers, whether in the United States or in other countries.

4. "Factor" means any person who receives cotton on consignment from its owner, to whom he may or may not make advances of funds, and who holds, stores and/or sells the cotton according to instructions from the owner, accounting to the owner for all proceeds of sale and expenses incurred and deriving his compensation from a commission paid by the owner for his services.

5. "Spot broker" means any person who as an agent sells cotton to or buys cotton for a merchant or shipper, but without receiving the cotton on consignment prior to sale, and who derives his compensation wholly from a commission agreed to and paid by the principal for whom he acts.

6. "Mill broker" means any person who as an agent sells cotton to a mill for the account of any other person, or buys cotton as an agent for a mill, deriving his compensation from a commission agreed to and paid by his principal.

7. "Mill buyer" means any person who as an employee buys raw cotton for or on behalf of a cotton manufacturer.

Sec. 3. "Person" means individual, partnership, corporation, association, and any other business unit.

Sec. 4. "Subsidiary" means any person of, or over whom a member of the Trade or an affiliate of such member has, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

Sec. 5. "Affiliate" means any person, and/or any subsidiary thereof who has, either directly or indirectly, actual or legal control of or over a member of the Trade.

Sec. 6. "President", "Act", "Secretary", "Board", and "Department" means respectively the President of the United States, Title I of the National Industrial Recovery Act, the Secretary of Agriculture, the National Industrial Recovery Board, and the United States Department of Agriculture.

Sec. 7. "Director of Extension" or "Director" means the State Director of Extension, attached to the College of Agriculture of a State and operating under the Smith-Lever Act of May 8, 1914 creating the Agricultural Extension System.

Sec. 8. "Cotton Standards Act" means the United States Cotton Standards Act passed March 4, 1923, as amended.

Sec. 9. "Cotton Futures Act" means the United States Cotton Futures Act passed August 11, 1916, as amended.

Sec. 10. "Warehouse Act" means the United States Warehouse Act passed August 11, 1916, as amended.

Sec. 11. "Employee" includes any and all persons engaged in

the Trade, however compensated, except a member of the Trade.

Sec. 12. "Employer" includes anyone by whom such employee is compensated or employed.

Sec. 13. "Labor provisions" means all those matters relating to the determination and administration of hours of labor, rates of pay, and other conditions of employment within the Raw Cotton Trade, under the jurisdiction of the National Recovery Administration.

Sec. 14. "Books, records and reports" means any books, records, accounts, contracts, documents, memoranda, papers, correspondence, or other written data pertaining to the business of the person in question.

Sec. 15. "Executive Committee" means the executive committee of the Code Authority, authorized under subsection 2 (a), section 1 of article VI of this Code.

Sec. 16. "Regional" and "Local Councils" means the councils authorized under subsection 2 (b), section 1 of article VI of this Code.

Sec. 17. "State" includes Territory and the District of Columbia.

Sec. 18. "Population" for the purposes of this Code shall be determined by reference to the latest Federal Census.

Sec. 19. "Trading Rules" means the rules governing the Raw Cotton Trade as referred to in section 1, article VII.

Sec. 20. "New England Arbitration Board" means the established board of arbitration for quality of cotton recognized by the Trade and maintained jointly by the American Cotton Shippers' Association, the

National Association of Cotton Manufacturers and the New England Cotton Buyers Association for the purpose of arbitrating all disputes as to quality of cotton delivered.

Sec. 21. "New England Board of Appeals" means the established board recognized by the Trade, and maintained by the New England Cotton Buyers, for the purpose of arbitrating all disputes with regard to terms of contracts, subject to the Consolidated Trading Rules appended to this Code.

Sec. 22. "Cotton States Arbitration Board" means the established board recognized by the Trade, and maintained by the American Cotton Shippers' Association and the American Cotton Manufacturers Association for the purpose of arbitrating all disputes with regard to quality of cotton delivered, subject to the consolidated Trading Rules appended to this Code.

Sec. 23. "Southeastern Appeal Board" means the board recognized by the Trade, and maintained by the American Cotton Shippers Association and the American Cotton Manufacturers Association for the purpose of settling all disputes with regard to terms of contract, subject to the Consolidated Trading Rules appended to this Code.

ARTICLE III--HOURS

Section 1. Maximum Hours.--1. No employee shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period, except as herein otherwise provided. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments, monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third ($1/3$) times the normal hourly rate.

Sec. 2. Hours for Clerical and Office Employees.---1. No person employed in clerical or office work shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar

year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third (1/3) times the normal hourly rate.

Sec. 3. Exceptions as to Hours.--1. The provisions of this article shall not apply to:

(a) Employees engaged in a managerial or an executive capacity who earn regularly thirty-five (35) dollars or more per week;

(b) Employees engaged in occupations requiring technical or expert knowledge in the merchandising of cotton who (1) earn regularly thirty-five (35) dollars or more per week, or (2)

are retained under written contract throughout the year on the basis of an annual salary of not less than twelve hundred (1200) dollars paid in equal installments monthly, semi-monthly, or weekly;

(c) Outside buyers and outside salesmen.

Sec. 4. Standard Week.--No employee shall be permitted to work more than six (6) days in any seven (7) day period except during a sixteen (16) weeks of any calendar year.

Sec. 5. Employment by Several Employers.--No employer shall knowingly permit any employee to work for any time which, when added to the time spent at work for another employer or other employers in this Trade, exceeds the maximum permitted herein.

ARTICLE IV--WAGES

Section 1. Minimum Wages.--No employee shall be paid in any pay period less than at the rate of twenty-two (22) and one-half (1/2) cents per hour, except as herein otherwise provided.

Sec. 2. Office and Clerical Employees.--No clerical or office employee shall be paid in any pay period less than at the rate of the following schedule of wages:

(a) Sixteen (16) dollars per week in cities of over 1,000,000 population, or in the immediate trade area thereof.

(b) Fifteen (15) dollars per week in cities of 500,000 to 1,000,000 population, or in the immediate trade area thereof.

(c) Fourteen (14) dollars and fifty (50) cents per week in cities of 250,000 to 500,000 population, or in the immediate

trade area thereof..

(d) Fourteen (14) dollars per week in cities of 2,500 to 250,000 population, or in the immediate trade area thereof.

(e) Twelve (12) dollars per week in all other places.

(f) Learners shall be paid not less than eighty (80) percent of the applicable minimum rate but in no event less than ten (10) dollars per week: Provided, however, That the total number of such lerners shall not exceed five (5) percent of the total number of employees, except where one (1) such employee is more than five (5) percent.

Sec. 3. Piecework Compensation - Minimum Wages.--This article establishes minimum rates of pay which shall apply, irrespective of whether an employee is actually compensated on a time rate, piece-work, or other basis.

Sec. 4. Wages above Minimum.--Whenever the adoption of the minimum rates of this Code results in lessening the differential between unskilled labor and skilled occupations, wages above the minimum shall be increased so as to maintain the differentials existing on July 15, 1933. In no case shall full time weekly wages be reduced as a result of the adoption of this Code.

Sec. 5. Female Employees.---Female employees performing substantially the same work as male employees shall receive the same rate of pay as male employees.

Sec. 6. Handicapped Persons.---A person whose earning capacity is limited because of age or physical or mental handicap or other infirmity may be employed on light work at a wage below the minimum es-

established by this Code if the employer obtains from the State authority designated by the United States Department of Labor a certificate authorizing his employment at such wages and for such hours as shall be stated in the certificate. Each employer shall file monthly with the Code Authority a list of all such persons employed by him, showing the wages paid to, and the maximum hours of work for such employee.

ARTICLE V.--GENERAL LABOR AND OTHER PROVISIONS

Section 1. Child Labor.--No person under sixteen (16) years of age shall be employed in the Trade in any capacity. No person under eighteen (18) years of age shall be employed at operations or occupations which are hazardous in nature or detrimental to health. The Code Authority shall submit to the Board within sixty (60) days of the effective date of this Code a list of such operations and occupations. In any State any employer shall be deemed to have complied with this provision as to age if he shall have on file a certificate or permit, duly signed by the authority in such State empowered to issue employment or age certificates or permits showing that the employee is of the required age.

Sec. 2. Provisions from the Act.--1. Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

2. No employee and no one seeking employment shall be required

as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing, and

3. Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Sec. 3. Evasion through Subterfuge.--No employer shall re-classify employees or duties of occupation performed or engage in any other subterfuge so as to defeat the purposes or provisions of the Act or of this Code.

Sec. 4. Standards for Safety and Health.-- Every employer shall provide for the safety and health of employees during the hours and at the places of their employment. Standards for safety and health shall be submitted by the Code Authority to the Board within six (6) months after the effective date of the Code.

Sec. 5. State Laws.--No provision in this Code shall supersede any State or Federal law which imposes on employers more stringent requirements as to age of employees, wages, hours of work, or as to safety, health, sanitary or general working conditions, or insurance, or fire protection, than are imposed by this Code.

Sec. 6. Posting.--All employers shall post and keep posted copies of this Code in conspicuous places accessible to all employees. Every member of the Trade shall comply with all rules and regulations relative to the posting of provisions of Codes of Fair Competition

which may from time to time be prescribed by the Board.

Sec. 7. Fines and Deductions.--Wages shall be exempt from fines, charges, and/or deductions except with the written consent of the employee or when required by law.

Sec. 8. Payment of Wages.--Employers shall make payment of all wages in lawful currency or by negotiable checks, payable on demand. All contracts of employment shall prescribe payment of wages at least semi-monthly.

ARTICLE VI--ORGANIZATION, POWERS AND DUTIES OF THE CODE AUTHORITY

Section 1. Code Authority.--1. A Code Authority of the Trade shall be established for the purpose of assisting in the administration, supervision, and promotion of the performance of the provisions of this Code. Except as the jurisdiction of the Secretary and the Board may hereafter be changed pursuant to order of the President, the Code Authority shall assist the Board in all matters relating to the administration of provisions in this Code relating to hours of labor, rates of pay, and other conditions of employment and shall assist the Secretary in all matters relating to the administration of all the other provisions of this Code.

2. The Code Authority shall consist of not less than twenty-six (26) nor more than thirty (30) members, and shall be constituted, forthwith upon the approval of this Code, of representatives of members of the Trade selected by the following organizations and agencies:

- (1) The President and the Secretary of the American Cotton Shippers Association.

One (1) representative each from the:

- (2) California-Arizona Cotton Association.
- (3) Oklahoma State Cotton Exchange.
- (4) Arkansas Cotton Trade Association.
- (5) Southern Cotton Shippers Association.
- (6) Atlantic Cotton Association.
- (7) Carolina Spot Brokers Association.
- (8) Staple Cotton Cooperative Association.
- (9) New England Cotton Buyers Association.
- (10) American Association of Cotton Manufacturers.
- (11) North Carolina Cotton Manufacturers Association.
- (12) South Carolina Cotton Manufacturers Association.
- (13) Cotton Manufacturers Association of Georgia.
- (14) Mills not members of any of the mill associations

named in (10), (11), (12), (13), and (15) of this list, to be elected under the supervision of the Secretary and the Board.

Two (2) representatives each from the:

- (15) National Association of Cotton Manufacturers.
- (16) Texas Cotton Association,

(17) Five (5) representatives from the American Cotton Cooperative Association and associated cooperative associations.

(18) Three (3) representatives of spot cotton markets, recognized under the Cotton Futures Act, one (1) to be elected by the members in each of the following groups of States:

Group 1: Virginia, North Carolina, South Carolina,
Georgia, Florida.

Group 2: Alabama, Mississippi, Louisiana, Tennessee,
Arkansas, Missouri.

Group 3: Texas, Oklahoma, Arizona, New Mexico, and
California.

(19) Three (3) representatives of unorganized country traders in rural sections who are not members of any of the above named groups, one (1) to be elected by such traders from each of the three(3) groups of States outlined in (18) above, under the following supervision: The Secretary shall invite the director of extension in each of the States named to call a conference of unorganized traders in his State to elect a delegate or delegates to a conference of the delegates of each group of States under regulations prescribed by him. The location of such regional conference of delegates shall be arranged by the Directors of Extension under the leadership of a director whom the Secretary may designate for that purpose. The regional representatives so chosen shall be accepted by the Code Authority as the representatives of unorganized traders subject to the disapproval of the Secretary and/or the Board.

No member of the Trade shall be represented on the Code Authority by more than one (1) member of that body, except the American Cotton Cooperative Association.

Members of the Code Authority shall be selected, insofar as possible, within fifteen (15) days after the effective date of this Code, to serve until May 1, 1935, and thereafter for terms of one (1) year

during the life of this Code, except as to the representatives of the American Cotton Shippers Association, whose services shall be governed by their tenure of office in that Association.

.. Alternates for each member of the Code Authority may be selected in the same manner as active members of the Code Authority are selected. Alternates may at all times sit in meetings of the Code Authority without vote. In case of a vacancy on the Code Authority, the alternate shall fill out the remainder of the term.

If a member (or alternate) of the Code Authority shall in any case be a party charged with violation of this Code (or the representative of such a party), he shall, for the purpose of the investigation of said allegation and determination of the issue, be deprived of all his rights, duties, and privileges as a member (or alternate) of the Code Authority.

In all matters before the Code Authority involving those parts of the Consolidated Trading Rules which relate to cotton mills, the combined representatives of the mills shall have an equal voice with the combined representatives of all other groups.

(a) Executive Committee.-- The Code Authority shall select from its number an executive committee of seven (7) members of whom (1) shall be the representative of a cooperative association, two (2) from the mill group, one (1) for the spot cotton markets, and, if on May 1 of any year there is on the Code Authority a representative of unorganized traders, one (1) member of the executive committee shall be selected from this group.

(1) The Code Authority may delegate to such executive

committee such of its authority and duties as it may choose.

Alternates to the members of the executive committee shall be selected by the Code Authority in the same manner as active members are chosen.

(b) Regional and Local Councils.---The Code Authority may, upon its own motion or upon application by members of the Trade in any region or locality, authorize and establish regional or local councils to aid in the administration of this Code. Existing trade organizations may be utilized or designated as such instrumentality of the Code Authority wherever such organizations are active and functioning as authorized in subsection 1 (a) of section 2 of article VI: Provided, They comply with subsections 3 and 4 of section 1 of article VI, and: Provided further, That provisions shall be made for participation by representatives not members of such existing organizations, in any action, investigation, or deliberation involving any non-member.

(1) In localities where there are no such recognized trade organizations and where a local council is needed for the purposes of the Code, members of the council shall be elected by members of the Trade in such locality, who comply with subsection 5 of this section, under rules and regulations prescribed by the Code Authority, and designed to secure fair representation of the interests of all such members in the administration of the Code. The territorial limits of any regional or local council and

the powers and duties delegated to it shall be fixed by resolution of the Code Authority authorizing the creation of such council.

(c) Representatives of the Secretary and the Board.--In addition to membership as above provided, the Secretary and the Board may each appoint not more than three (3) members or representatives to serve for such terms as they may specify, with the right to sit without vote, in all meetings of the Code Authority and its Executive Committee, and the regional and local councils, for which purpose they shall receive due notice in time reasonably to permit their attendance at all such meetings and, if requested by any one or more of them, of any local council. The Secretary and/or the Board may also designate other representatives to sit without vote in any local council, under instructions that he or it may issue for that purpose. Each representative shall receive a copy of all minutes and reports of any of these bodies and shall have access to all books, records, and data open to his principal ---the Board's representatives as to all matters concerning labor provisions, and the Secretary's representatives as to all other matters.

3. Restriction by Associations.-- Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restriction on membership, and (2) submit to the Secretary and the Board true copies of its articles of association, bylaws, regulations,

and any amendments when made thereto, together with such other information as to membership, organization, and activities as the Secretary or the Board may deem necessary to effectuate the purposes of the Act.

4. Right to Modify Code Authority-- In order that the Code Authority shall at all times be truly representative of the Trade and in other respects comply with the provisions of the Act, the Secretary or the Board may prescribe such hearings as he or it may deem proper; and thereafter if he or it shall find that the Code Authority is not truly representative or does not in other respects comply with the provisions of the Act, may require an appropriate modification in the method of selection of the Code Authority, or take such other action as the evidence adduced at the hearing may warrant.

5. Officers and Finances.

(a) The Code Authority shall have the right to employ such salaried officers and employees as may be required for the purposes of this Code, subject to the approval by the Secretary and the Board of a budget and plans for raising funds as hereafter provided in this subsection.

(b) It being found necessary, in order to support the administration and to maintain the standards of fair competition established hereunder and to effectuate the policy of this Act, the Code Authority is authorized:

(1) To incur such reasonable obligations as are necessary and proper for the foregoing purposes, and to meet such obligations out of funds which may be raised as hereinafter provided and which shall be held in trust for

the purposes of this Code:

(2) To submit to the Secretary and/or the Board for his and/or its approval, subject to such notice and opportunity to be heard as he or it may deem necessary, (1) an itemized budget of its estimated expenses for the foregoing purposes; and (2) an equitable per bale basis of bales handled upon which funds necessary to support such budget shall be contributed by members of the Trade: Provided, however, That cotton mills shall be required to contribute at only one half the per bale rate contributed by other members of the Trade.

(3) After such budget and per bale basis of contribution have been approved by the Secretary and/or the Board to determine and obtain equitable contributions as above set forth by all members of the Trade, and to that end, if necessary to institute legal proceedings therefor in its own name.

(c) Each member of the Trade shall pay his or its equitable contribution to the expenses of the maintenance of the Code Authority determined as hereinabove provided, and subject to rules and regulations pertaining thereto issued by the Secretary and the Board. Only members of the Trade complying with the Code and contributing to the expenses of its administration as hereinabove provided, unless duly exempted from making such contribution, shall be entitled to participate in the selection of members of the Code Authority or to receive the benefits of any of its voluntary activities or to make any use of any emblem

or insignia of the National Recovery Administration.

(d) The Code Authority shall neither incur nor pay any obligations substantially in excess of the amount thereof as estimated in its approved budget; and shall in no event exceed the total amount contained in the approved budget, except upon approval of the Secretary and/or the Board; and no subsequent budget shall contain any deficiency item for expenditures in excess of prior budget estimates, except those which the Secretary and/or the Board shall have so approved.

6. Responsibility of members of the Code Authority.— Nothing contained in this Code shall constitute the members of the Code Authority partners for any purpose. Nor shall any member of the Code Authority be liable in any manner to any one for any act of any other member, officer, agent, or employee of the Code Authority. Nor shall any member of the Code Authority, exercising reasonable diligence in the conduct of his duties hereunder, be liable to any one for any action or omission to act under this Code, except for his own willful malfeasance or nonfeasance.

7. Suspension of action of the Code Authority.—If the Secretary or the Board shall determine as to matters subject to their respective jurisdiction that any action of the Code Authority or any agency thereof may be unfair or unjust or contrary to the public interest, the Secretary or the Board, as the case may be, may require that such action be suspended to afford an opportunity for investigation of the merits of such action and further consideration by such Code Authority or agency pending final action, which shall not be effective

unless the Secretary or the Board approves, or unless he or it shall fail to disapprove after thirty (30) days' notice to him or it of intention to proceed with such action in its original or modified form.

Sec. 2. Powers and Duties of the Code Authority.--1. In all matters relating to the administration of the provisions of this Code (except as the jurisdiction of the Secretary and the Board may hereafter be changed, pursuant to the order of the President), the Code Authority, subject to such rules and regulations as may be issued by the Secretary and the Board, shall have the following further powers and duties, the exercise of which relating to hours of labor, rates of pay, and other conditions of employment shall be reported to the Board, and as to all other provisions, unless otherwise specified, shall be reported to the Secretary:

(a) To appoint, at its discretion, such regional councils and committees as outlined in subsection 2 (b), section 1 of article VI, as it may deem necessary to assist in the administration of the provisions of this Code;

(b) To insure the execution of the provisions of this Code and provide for the compliance of the members of the Trade with the provisions of the Act;

(c) To adopt bylaws and rules and regulations for its procedure;

(d) To obtain from members of the Trade such information and reports as may be required for the administration of this Code and to provide for submission by members of such informa-

tion and reports as the Secretary and/or the Board may deem necessary for the purposes recited in section 3 (a) of the Act;

(e) To use such trade associations and other agencies as it deems proper for the carrying out of any of its activities provided for herein: Provided, however, That nothing herein shall relieve the Code Authority of its duties or responsibilities under this Code and that such trade associations and agencies shall at all times be subject to and comply with provisions hereof;

(f) To provide facilities for the arbitration of disputes concerning the quality of cotton delivered and/or appeals concerning the terms of contracts, using for these purposes the facilities of any of the cotton associations or exchanges, the New England Arbitration Board, the New England Board of Appeals, the Cotton States Arbitration Board or the Southeastern Appeal Board, and, as to quality, the United States Department of Agriculture, insofar as practicable, under the provisions of the Consolidated Trading Rules appended to this Code. Where these arrangements may not be available or are inadequate, the Code Authority shall set up such other facilities as may be necessary for these purposes, under rules and regulations that it may promulgate subject to the disapproval of the Secretary;

The Code Authority may authorize, assume and/or pay expenses incurred by any regional or local council or recognized arbitration or appeal board in the performance of the duties delegated

to such body under the terms and provisions of this Code:

Provided, however, That no part of the expenses of any arbitration or appeal body charging a fee for its services shall be assumed, unless fees to non-members are substantially the same as to members of any trade association or organization with which the arbitration or appeal body is affiliated and unless all fees collected are credited to the expenses of maintaining such body.

(g) To make recommendation to the Secretary and/or the Board for the coordination of the administration of this Code and such other codes, if any, as may be related to or affect the members of this Trade;

(h) To recommend to the Secretary and/or the Board any action or measures deemed advisable, including further fair trade practice provisions to govern members of the Trade in their relations with each other or with other trades, and measures for industrial planning and stabilization of employment;

(i) To appoint a trade practice committee which shall meet with the trade practice committees appointed under such other codes as may be related to the Trade, for the purpose of formulating fair trade practices to govern the relationships between employers under this Code and under such other codes to the end that such fair trade practices may be proposed to the Secretary and/or the Board as amendments to this Code and such other codes;

(j) To investigate and prepare reports upon complaints of alleged violations of this Code, issue warnings to violators, and, in case of flagrant violations or when requested, submit reports and recommendations thereon to the Secretary: Provided, however, That if a member or alternate of the Code Authority or any of its subsidiary agencies under this Code shall in any case be a party charged with violation of this Code (or the representative of such party), he shall for the purposes of the investigation of said allegation and determination of the issue be deprived of all his rights, duties and privileges as a member or alternate of the Code Authority.

2. Duties of Regional and Local Councils.--The regional and local councils shall constitute local or regional organizations of cotton traders as authorized in subsection 2 (b), section 1 of article VI, and subsection 1(a), section 2 of article VI, to function, each within its territory, as the representative of the Code Authority, and in addition to taking the initiative in promoting the objectives of the Code in its territory, they may make recommendations to the Code Authority touching any aspect of the purposes and administration of this Code.

All action by regional and local councils shall be subject to the supervision and disapproval of the Code Authority.

3. Records.--The Code Authority, the Executive Committee, and the regional or local councils shall keep minutes of all meetings; and copies of the minutes and of all reports shall be sent promptly to the Code Authority and to the representatives of the Secretary and of the Board under this Code.

ARTICLE VII--UNFAIR METHODS OF COMPETITION

The following practices constitute unfair methods of competition and are prohibited:

Section 1. Trading Rules.--To trade in raw cotton without observing the applicable or specified rules for buying and selling cotton appended to this Code and made a part hereof as Exhibit "A", known as Consolidated Trading Rules or American Cotton Rules, or as they hereafter may be amended with the approval of the Secretary. Amendments to the Consolidated Trading Rules may be proposed by any association, exchange, or group recognized under this Code, and shall become effective upon the approval of the Code Authority subject to disapproval by the Secretary: Provided, however, That associations and exchanges may prescribe other rules not in conflict with the trading rules under this Code, to govern transactions of its members, but such rules shall be submitted promptly to the Code Authority and the Secretary, and if found by either agency to be in conflict with rules under the Code, shall be modified or suspended forthwith.

Sec. 2. Private Types.--To use or refer, in the description of any cotton, to any private type, unless such type samples have been duly registered with the Department and are used in accordance with its regulations under the Cotton Standards Act: Provided, however, That this section shall not be construed to require the registration of any actual sample or type sample.

Sec. 3. Quality, Location and Price.--To purchase, trade in or make final settlement for cotton secured directly from a producer,

at a price widely out of line with its current market price, according to quality, quantity, and geographical situation at the time the transaction is consummated, or at a price that is clearly discriminatory between producers or producing areas. The classification of a lot of cotton by a classifier employed or licensed by the United States Department of Agriculture shall be accepted as prima facie evidence of its quality as a basis for determining price. Exactng an excessive or abnormal charge for supplies exchanged for cotton or for storage or other services or for interest on open accounts or for fees or commissions or loans in connection with a cotton trade, shall be regarded as a violation of this section.

Sec. 4. Over and Undergrading.--To over or underclass or weigh any lot of cotton beyond a reasonable tolerance, for or on behalf of any party to any transaction in which such cotton is involved.

Sec. 5. Arbitration.--To refuse to arbitrate any dispute over a trade or contract involving either the quality of cotton delivered or the terms of the contract, in accordance with the applicable or specified trading rules, or to fail or refuse to abide by the decision of such arbitration or the appeal therefrom.

Sec. 6. Excess Sampling.--To take or permit to be taken any pickings or unwarranted sample, or any sample in excess of sixteen (16) ounces, made up of eight (8) ounces from each side, from any bale in the custody of a member, unless a larger sample has been authorized in writing by the owner.

Sec. 7. Posting Terms for Special Services.--To exact a storage or other charge not included in the specified terms of the contract, for handling cotton involved in a trade, without, at the time of the transaction, having posted prominently in the place where the supplementary service is claimed to be rendered, the rates of charge for such service.

Sec. 8. Gifts and Gratuities.--To give, pay, promise to give or pay, either directly or indirectly, to any patron or the employee of any patron, either buyer or seller, or of an associated agency of either, any rebate, free drayage or storage, gratuity, gift, bribe or other payment, premium or other special reward whatsoever beyond the regular and legitimate price paid for the cotton.

(a) Nothing in this section shall be construed to interfere with or prevent the distribution to members and patrons of cooperative associations, of dividends or reserve from properly earned income.

(b) Nothing in this section shall be construed to prohibit, for the present, a cotton trader from selling cotton on consignment and accepting storage without charge in a mill warehouse, against the time when the cotton is purchased by the mill. In the event that this Code is extended beyond June 15, 1935, then such practice shall be prohibited after July 1, 1936, unless the Code Authority shall find for a particular mill that a further extension of this privilege is warranted.

ARTICLE VIII--GENERAL

Section 1. Modification by the President.---This Code and all the provisions thereof are expressly made subject to the right of the President of the United States in accordance with the provisions of subsection (b) of section 10 of the Act, from time to time, to cancel or modify any order, approval, license, rule or regulation issued under said Act.

Sec. 2. Reports.---1. The members of the Trade shall severally, from time to time, upon the request of the Secretary (or the Board in the case of information relating to hours of labor, rates of pay and other conditions of employment), furnish such information to such Federal and State agencies on and in accordance with forms of reports supplied to them (which reports shall be verified under oath) as the Secretary or the Board may designate and require (1) for the protection of consumers, competitors, employees and others, and in furtherance of the public interest, and (2) for the determination by the Secretary or the Board of the extent to which the declared policy of the Act is being effecteduated by this Code.

2. Nothing in this Code shall relieve any person of existing obligations to furnish reports to Government agencies.

3. No individual reports shall be disclosed to any other member of the Trade or any other party except as may be directed by the Secretary or the Board.

Sec. 3. Amendments.--This Code may be amended at any time for the better effectuation of the purposes and policies of Title I of the National Industrial Recovery Act upon the recommendation of the Code Authority and the approval of the Secretary and/or the Board, each as to the provisions over which he and/or it has jurisdiction.

Sec. 4. Relation to Existing Laws and Regulations.--Nothing in this Code shall in any way conflict with or be construed as conflicting with the Cotton Standards Act, Cotton Futures Act, or the U. S. Warehouse Act or rules and regulations thereunder relating to raw cotton, insofar as applicable to this Trade, and any provisions of this Code shall be construed as in addition to requirements under those acts and regulations.

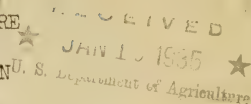
Sec. 5. Relation to Future Marketing Agreement and License.--If any license is hereafter issued or any marketing agreement hereafter executed, pursuant to the provisions of the Agricultural Adjustment Act, containing provisions covering the subject matter referred to in sub-clauses (1) to (7) inclusive, of Section 1 of the Executive Order No. 6551 of January 8, 1934, then to that extent such license or marketing agreement shall supersede such provisions of this Code.

Sec. 6. Monopolies.--No provision of this Code shall be so applied as to permit monopolies or monopolistic practices or to eliminate, oppress or discriminate against small enterprises.

Sec. 7. Effective Date.--This Code shall become effective on the second Monday after its approval by the President.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION



PROPOSED
CODE OF FAIR COMPETITION
FOR THE
RAW COTTON TRADE
(Revision of October 6, 1934)
WITH
EXHIBIT A OF THE PROPOSED
CODE OF FAIR COMPETITION
FOR THE RAW COTTON TRADE

This Proposed Code of Fair Competition in its present form is proposed as the basis of a public hearing for the above-mentioned industry, and none of the provisions contained herein are to be regarded as having received the approval of the Agricultural Adjustment Administration or the National Industrial Recovery Board as applying to this industry.

I hereby certify that this is a true and correct copy of the Proposed Code of Fair Competition for the Raw Cotton Trade, on file in the Office of the Chief Hearing Clerk, United States Department of Agriculture, Agricultural Adjustment Administration.

(Signed) James K. Knudson
Chief Hearing Clerk.
4725 South Building
U.S. Dept. of Agriculture
Washington, D. C.

Dated: January 5, 1935.

Washington, D. C.

CODE OF FAIR COMPETITION

FOR THE RAW COTTON TRADE

Revision of October 6, 1934

ARTICLE I--PURPOSES

To effect the policies of Title I of the National Industrial Recovery Act, this Code is submitted as a Code of Fair Competition for the Raw Cotton Trade, and upon approval its provisions shall be the standards of fair competition for such Trade, and shall be binding upon every member thereof.

ARTICLE II--DEFINITIONS

As used in this Code, the term:

Section 1. "Raw Cotton Trade" or "Trade" means the business of buying and/or selling and/or trading in and/or marketing of raw cotton and includes the department or unit of cotton textile mills concerned with the purchase of raw cotton.

Section 2. "Member of the trade" or "Member" means any individual person, partnership, association, corporation or other form of enterprise, and the subsidiaries and/or affiliates thereof insofar as they are engaged as principal or agent in the Raw Cotton Trade as defined in section 1 above, either as an employer or on his or its own behalf and without excluding others, includes the following:

1. "First buyer" means any person who buys cotton directly from producers, and includes local buyers and/or f.o.b. buyers operating for their own accounts; representatives of shippers and/or manufacturers, whether salaried or commissioned or both; farmers' cooperative associations; ginnermen, supply merchants, bankers, and warehousemen in their

capacity as buyers of or dealers in raw cotton.

2. "Shipper" means any person who for his own account buys cotton for resale and shipment to merchants or manufacturers, or who, having made such a sale, buys the cotton for its fulfillment.

3. "Merchant" means any person who for his own account accumulates and carries stocks of cotton from which he sells and/or ships in lots to shippers, other merchants, or to manufacturers, whether in the United States or in other countries.

4. "Factor" means any person who receives cotton on consignment from its owner, to whom he may or may not make advances of funds, and who holds, stores and/or sells the cotton according to instructions from the owner, accounting to the owner for all proceeds of sale and expenses incurred and deriving his compensation from a commission paid by the owner for his services.

5. "Spot broker" means any person who as an agent sells cotton to or buys cotton for a merchant or shipper, but without receiving the cotton on consignment prior to sale, and who derives his compensation wholly from a commission agreed to and paid by the principal for whom he acts.

6. "Mill broker" means any person who as an agent sells cotton to a mill for the account of any other person, or buys cotton as an agent for a mill, deriving his compensation from a commission agreed to and paid by his principal.

7. "Mill buyer" means any person who as an employee buys raw cotton for or on behalf of a cotton manufacturer.

Sec. 3. "Person" means individual, partnership, corporation, association, and any other business unit.

Sec. 4. "Subsidiary" means any person of, or over whom a member of the Trade or an affiliate of such member has, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

Sec. 5. "Affiliate" means any person, and/or any subsidiary thereof who has, either directly or indirectly, actual or legal control of or over a member of the Trade.

Sec. 6. "President", "Act", "Secretary", "Board", and "Department" means respectively the President of the United States, Title I of the National Industrial Recovery Act, the Secretary of Agriculture, the National Industrial Recovery Board, and the United States Department of Agriculture.

Sec. 7. "Director~~of~~ Extension" or "Director" means the State Director of Extension, attached to the College of Agriculture of a State and operating under the Smith-Lever Act of May 8, 1914 creating the Agricultural Extension System.

Sec. 8. "Cotton Standards Act" means the United States Cotton Standards Act passed March 4, 1923, as amended.

Sec. 9. "Cotton Futures Act" means the United States Cotton Futures Act passed August 11, 1916, as amended.

Sec. 10. "Warehouse Act" means the United States Warehouse Act passed August 11, 1916, as amended.

Sec. 11. "Employee" includes any and all persons engaged in

the Trade, however compensated, except a member of the Trade.

Sec. 12. "Employer" includes anyone by whom such employee is compensated or employed.

Sec. 13. "Labor provisions" means all those matters relating to the determination and administration of hours of labor, rates of pay, and other conditions of employment within the Raw Cotton Trade, under the jurisdiction of the National Recovery Administration.

Sec. 14. "Books, records and reports" means any books, records, accounts, contracts, documents, memoranda, papers, correspondence, or other written data pertaining to the business of the person in question.

Sec. 15. "Executive Committee" means the executive committee of the Code Authority, authorized under subsection 2 (a), section 1 of article VI of this Code.

Sec. 16. "Regional" and "Local Councils" means the councils authorized under subsection 2 (b), section 1 of article VI of this Code.

Sec. 17. "State" includes Territory and the District of Columbia.

Sec. 18. "Population" for the purposes of this Code shall be determined by reference to the latest Federal Census.

Sec. 19. "Trading Rules" means the rules governing the Raw Cotton Trade as referred to in section 1, article VII.

Sec. 20. "New England Arbitration Board" means the established board of arbitration for quality of cotton recognized by the Trade and maintained jointly by the American Cotton Shippers' Association, the

National Association of Cotton Manufacturers and the New England Cotton Buyers Association for the purpose of arbitrating all disputes as to quality of cotton delivered.

Sec. 21. "New England Board of Appeals" means the established board recognized by the Trade, and maintained by the New England Cotton Buyers, for the purpose of arbitrating all disputes with regard to terms of contracts, subject to the Consolidated Trading Rules appended to this Code.

Sec. 22. "Cotton States Arbitration Board" means the established board recognized by the Trade, and maintained by the American Cotton Shippers' Association and the American Cotton Manufacturers Association for the purpose of arbitrating all disputes with regard to quality of cotton delivered, subject to the consolidated Trading Rules appended to this Code.

Sec. 23. "Southeastern Appeal Board" means the board recognized by the Trade, and maintained by the American Cotton Shippers Association and the American Cotton Manufacturers Association for the purpose of settling all disputes with regard to terms of contract, subject to the Consolidated Trading Rules appended to this Code.

ARTICLE III--HOURS

Section 1. Maximum Hours.--1. No employee shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period, except as herein otherwise provided. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments, monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third ($1/3$) times the normal hourly rate.

Sec. 2. Hours for Clerical and Office Employees.--1. No person employed in clerical or office work shall be permitted to work in excess of forty (40) hours in any one (1) week or eight (8) hours in any twenty-four (24) hour period. A normal work day shall not exceed eight (8) hours. There shall be the following exceptions:

(a) In not to exceed sixteen (16) weeks of any calendar

year, employees retained under written contract throughout the year on the basis of an annual salary paid in equal installments monthly, semi-monthly, or weekly may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks, or

(b) In not to exceed sixteen (16) weeks of any calendar year, employees may be permitted to work in excess of the maximum number of hours hereinbefore prescribed, but not in excess of forty-eight (48) hours in any eight (8) of these sixteen (16) weeks, and not in excess of fifty-two (52) hours in any eight (8) of these sixteen (16) weeks: Provided, however, That all such time worked in excess of forty (40) hours in any week or eight (8) hours in any day shall be compensated at not less than one (1) and one-third ($1/3$) times the normal hourly rate.

Sec. 3. Exceptions as to Hours.--1. The provisions of this article shall not apply to:

(a) Employees engaged in a managerial or an executive capacity who earn regularly thirty-five (35) dollars or more per week;

(b) Employees engaged in occupations requiring technical or expert knowledge in the merchandising of cotton who (1) earn regularly thirty-five (35) dollars or more per week, or (2)

are retained under written contract throughout the year on the basis of an annual salary of not less than twelve hundred (1200) dollars paid in equal installments monthly, semi-monthly, or weekly;

(c) Outside buyers and outside salesmen.

Sec. 4. Standard Week.--No employee shall be permitted to work more than six (6) days in any seven (7) day period except during a sixteen (16) weeks of any calendar year.

Sec. 5. Employment by Several Employers.--No employer shall knowingly permit any employee to work for any time which, when added to the time spent at work for another employer or other employers in this Trade, exceeds the maximum permitted herein.

ARTICLE IV--WAGES

Section 1. Minimum Wages.--No employee shall be paid in any pay period less than at the rate of twenty-two (22) and one-half (1/2) cents per hour, except as herein otherwise provided.

Sec. 2. Office and Clerical Employees.--No clerical or office employee shall be paid in any pay period less than at the rate of the following schedule of wages:

(a) Sixteen (16) dollars per week in cities of over 1,000,000 population, or in the immediate trade area thereof.

(b) Fifteen (15) dollars per week in cities of 500,000 to 1,000,000 population, or in the immediate trade area thereof.

(c) Fourteen (14) dollars and fifty (50) cents per week in cities of 250,000 to 500,000 population, or in the immediate

trade area thereof.

(d) Fourteen (14) dollars per week in cities of 2,500 to 250,000 population, or in the immediate trade area thereof.

(e) Twelve (12) dollars per week in all other places.

(f) Learners shall be paid not less than eighty (80) percent of the applicable minimum rate but in no event less than ten (10) dollars per week: Provided, however, That the total number of such learners shall not exceed five (5) percent of the total number of employees, except where one (1) such employee is more than five (5) percent.

Sec. 3. Piecework Compensation - Minimum Wages.--This article establishes minimum rates of pay which shall apply, irrespective of whether an employee is actually compensated on a time rate, piece-work, or other basis.

Sec. 4. Wages above Minimum.--Whenever the adoption of the minimum rates of this Code results in lessening the differential between unskilled labor and skilled occupations, wages above the minimum shall be increased so as to maintain the differentials existing on July 15, 1933. In no case shall full time weekly wages be reduced as a result of the adoption of this Code.

Sec. 5. Female Employees.--Female employees performing substantially the same work as male employees shall receive the same rate of pay as male employees.

Sec. 6. Handicapped Persons.--A person whose earning capacity is limited because of age or physical or mental handicap or other infirmity may be employed on light work at a wage below the minimum es-

tablished by this Code if the employer obtains from the State authority designated by the United States Department of Labor a certificate authorizing his employment at such wages and for such hours as shall be stated in the certificate. Each employer shall file monthly with the Code Authority a list of all such persons employed by him, showing the wages paid to, and the maximum hours of work for such employee.

ARTICLE V--GENERAL LABOR AND OTHER PROVISIONS

Section 1. Child Labor.--No person under sixteen (16) years of age shall be employed in the Trade in any capacity. No person under eighteen (18) years of age shall be employed at operations or occupations which are hazardous in nature or detrimental to health. The Code Authority shall submit to the Board within sixty (60) days of the effective date of this Code a list of such operations and occupations. In any State any employer shall be deemed to have complied with this provision as to age if he shall have on file a certificate or permit, duly signed by the authority in such State empowered to issue employment or age certificates or permits showing that the employee is of the required age.

Sec. 2. Provisions from the Act.--1. Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

2. No employee and no one seeking employment shall be required

as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing, and

3. Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President.

Sec. 3. Evasion through Subterfuge.--No employer shall re-classify employees or duties of occupation performed or engage in any other subterfuge so as to defeat the purposes or provisions of the Act or of this Code.

Sec. 4. Standards for Safety and Health.--Every employer shall provide for the safety and health of employees during the hours and at the places of their employment. Standards for safety and health shall be submitted by the Code Authority to the Board within six (6) months after the effective date of the Code.

Sec. 5. State Laws.--No provision in this Code shall supersede any State or Federal law which imposes on employers more stringent requirements as to age of employees, wages, hours of work, or as to safety, health, sanitary or general working conditions, or insurance, or fire protection, than are imposed by this Code.

Sec. 6. Posting.--All employers shall post and keep posted copies of this Code in conspicuous places accessible to all employees. Every member of the Trade shall comply with all rules and regulations relative to the posting of provisions of Codes of Fair Competition

which may from time to time be prescribed by the Board.

Sec. 7. Fines and Deductions.--Wages shall be exempt from fines, charges, and/or deductions except with the written consent of the employee or when required by law.

Sec. 8. Payment of Wages.--Employers shall make payment of all wages in lawful currency or by negotiable checks, payable on demand. All contracts of employment shall prescribe payment of wages at least semi-monthly.

ARTICLE VI--ORGANIZATION, POWERS AND DUTIES OF THE CODE AUTHORITY

Section 1. Code Authority.--1. A Code Authority of the Trade shall be established for the purpose of assisting in the administration, supervision, and promotion of the performance of the provisions of this Code. Except as the jurisdiction of the Secretary and the Board may hereafter be changed pursuant to order of the President, the Code Authority shall assist the Board in all matters relating to the administration of provisions in this Code relating to hours of labor, rates of pay, and other conditions of employment and shall assist the Secretary in all matters relating to the administration of all the other provisions of this Code.

2. The Code Authority shall consist of not less than twenty-six (26) nor more than thirty (30) members, and shall be constituted, forthwith upon the approval of this Code, of representatives of members of the Trade selected by the following organizations and agencies:

- (1) The President and the Secretary of the American Cotton Shippers Association.

One (1) representative each from the:

- (2) California-Arizona Cotton Association.
- (3) Oklahoma State Cotton Exchange.
- (4) Arkansas Cotton Trade Association.
- (5) Southern Cotton Shippers Association.
- (6) Atlantic Cotton Association.
- (7) Carolina Spot Brokers Association.
- (8) Staple Cotton Cooperative Association.
- (9) New England Cotton Buyers Association.
- (10) American Association of Cotton Manufacturers.
- (11) North Carolina Cotton Manufacturers Association.
- (12) South Carolina Cotton Manufacturers Association.
- (13) Cotton Manufacturers Association of Georgia.

(14) Mills not members of any of the mill associations named in (10), (11), (12), (13), and (15) of this list, to be elected under the supervision of the Secretary and the Board.

Two (2) representatives each from the:

- (15) National Association of Cotton Manufacturers.
- (16) Texas Cotton Association;

(17) Five (5) representatives from the American Cotton Cooperative Association and associated cooperative associations.

(18) Three (3) representatives of spot cotton markets, recognized under the Cotton Futures Act, one (1) to be elected by the members in each of the following groups of States:

Group 1: Virginia, North Carolina, South Carolina,
Georgia, Florida.

Group 2: Alabama, Mississippi, Louisiana, Tennessee,
Arkansas, Missouri.

Group 3: Texas, Oklahoma, Arizona, New Mexico, and
California.

(19) Three (3) representatives of unorganized country traders in rural sections who are not members of any of the above named groups, one (1) to be elected by such traders from each of the three(3) groups of States outlined in (18) above, under the following supervision: The Secretary shall invite the director of extension in each of the States named to call a conference of unorganized traders in his State to elect a delegate or delegates to a conference of the delegates of each group of States under regulations prescribed by him. The location of such regional conference of delegates shall be arranged by the Directors of Extension under the leadership of a director whom the Secretary may designate for that purpose. The regional representatives so chosen shall be accepted by the Code Authority as the representatives of unorganized traders subject to the disapproval of the Secretary and/or the Board.

No member of the Trade shall be represented on the Code Authority by more than one (1) member of that body, except the American Cotton Cooperative Association.

Members of the Code Authority shall be selected, insofar as possible, within fifteen (15) days after the effective date of this Code, to serve until May 1, 1935, and thereafter for terms of one (1) year

during the life of this Code, except as to the representatives of the American Cotton Shippers Association, whose services shall be governed by their tenure of office in that Association.

.. Alternates for each member of the Code Authority may be selected in the same manner as active members of the Code Authority are selected. Alternates may at all times sit in meetings of the Code Authority without vote,. In case of a vacancy on the Code Authority, the alternate shall fill out the remainder of the term.

If a member (or alternate) of the Code Authority shall in any case be a party charged with violation of this Code (or the representative of such a party), he shall, for the purpose of the investigation of said allegation and determination of the issue, be deprived of all his rights, duties, and privileges as a member (or alternate) of the Code Authority.

In all matters before the Code Authority involving those parts of the Consolidated Trading Rules which relate to cotton mills, the combined representatives of the mills shall have an equal voice with the combined representatives of all other groups.

(a) Executive Committee.-- The Code Authority shall select from its number an executive committee of seven (7) members of whom (1) shall be the representative of a cooperative association, two (2) from the mill group, one (1) for the spot cotton markets, and, if on May 1 of any year there is on the Code Authority a representative of unorganized traders, one (1) member of the executive committee shall be selected from this group.

(1) The Code Authority may delegate to such executive

committee such of its authority and duties as it may choose. Alternates to the members of the executive committee shall be selected by the Code Authority in the same manner as active members are chosen.

(p) Regional and Local Councils.---The Code Authority may, upon its own motion or upon application by members of the Trade in any region or locality, authorize and establish regional or local councils to aid in the administration of this Code. Existing trade organizations may be utilized or designated as such instrumentality of the Code Authority wherever such organizations are active and functioning as authorized in subsection 1 (a) of section 2 of article VI: Provided, They comply with subsections 3 and 4 of section 1 of article VI, and: Provided further, That provisions shall be made for participation by representatives not members of such existing organizations, in any action, investigation, or deliberation involving any non-member.

(1) In localities where there are no such recognized trade organizations and where a local council is needed for the purposes of the Code, members of the council shall be elected by members of the Trade in such locality, who comply with subsection 5 of this section, under rules and regulations prescribed by the Code Authority, and designed to secure fair representation of the interests of all such members in the administration of the Code. The territorial limits of any regional or local council and

the powers and duties delegated to it shall be fixed by resolution of the Code Authority authorizing the creation of such council.

(c) Representatives of the Secretary and the Board.--In addition to membership as above provided, the Secretary and the Board may each appoint not more than three (3) members or representatives to serve for such terms as they may specify, with the right to sit without vote, in all meetings of the Code Authority and its Executive Committee, and the regional and local councils, for which purpose they shall receive due notice in time reasonably to permit their attendance at all such meetings and, if requested by any one or more of them, of any local council. The Secretary and/or the Board may also designate other representatives to sit without vote in any local council, under instructions that he or it may issue for that purpose. Each representative shall receive a copy of all minutes and reports of any of these bodies and shall have access to all books, records, and data open to his principal. 2--the Board's representatives as to all matters concerning labor provisions, and the Secretary's representatives as to all other matters.

3. Restriction by Associations.-- Each trade or industrial association directly or indirectly participating in the selection or activities of the Code Authority shall (1) impose no inequitable restriction on membership, and (2) submit to the Secretary and the Board true copies of its articles of association, bylaws, regulations,

and any amendments when made thereto, together with such other information as to membership, organization, and activities as the Secretary or the Board may deem necessary to effectuate the purposes of the Act.

4. Right to Modify Code Authority-- In order that the Code Authority shall at all times be truly representative of the Trade and in other respects comply with the provisions of the Act, the Secretary or the Board may prescribe such hearings as he or it may deem proper; and thereafter if he or it shall find that the Code Authority is not truly representative or does not in other respects comply with the provisions of the Act, may require an appropriate modification in the method of selection of the Code Authority, or take such other action as the evidence adduced at the hearing may warrant.

5. Officers and Finances.

(a) The Code Authority shall have the right to employ such salaried officers and employees as may be required for the purposes of this Code, subject to the approval by the Secretary and the Board of a budget and plans for raising funds as hereafter provided in this subsection.

(b) It being found necessary, in order to support the administration and to maintain the standards of fair competition established hereunder and to effectuate the policy of this Act, the Code Authority is authorized:

(1) To incur such reasonable obligations as are necessary and proper for the foregoing purposes, and to meet such obligations out of funds which may be raised as hereinafter provided and which shall be held in trust for

the purposes of this Code:

(2) To submit to the Secretary and/or the Board for his and/or its approval, subject to such notice and opportunity to be heard as he or it may deem necessary, (1) an itemized budget of its estimated expenses for the foregoing purposes; and (2) an equitable per bale basis of bales handled upon which funds necessary to support such budget shall be contributed by members of the Trade: Provided, however, That cotton mills shall be required to contribute at only one half the per bale rate contributed by other members of the Trade.

(3) After such budget and per bale basis of contribution have been approved by the Secretary and/or the Board to determine and obtain equitable contributions as above set forth by all members of the Trade, and to that end, if necessary to institute legal proceedings therefor in its own name.

(c) Each member of the Trade shall pay his or its equitable contribution to the expenses of the maintenance of the Code Authority determined as hereinabove provided, and subject to rules and regulations pertaining thereto issued by the Secretary and the Board. Only members of the Trade complying with the Code and contributing to the expenses of its administration as hereinabove provided, unless duly exempted from making such contribution, shall be entitled to participate in the selection of members of the Code Authority or to receive the benefits of any of its voluntary activities or to make any use of any emblem

or insignia of the National Recovery Administration.

(d) The Code Authority shall neither incur nor pay any obligations substantially in excess of the amount thereof as estimated in its approved budget; and shall in no event exceed the total amount contained in the approved budget, except upon approval of the Secretary and/or the Board; and no subsequent budget shall contain any deficiency item for expenditures in excess of prior budget estimates, except those which the Secretary and/or the Board shall have so approved.

6. Responsibility of members of the Code Authority.--- Nothing contained in this Code shall constitute the members of the Code Authority partners for any purpose. Nor shall any member of the Code Authority be liable in any manner to any one for any act of any other member, officer, agent, or employee of the Code Authority. Nor shall any member of the Code Authority, exercising reasonable diligence in the conduct of his duties hereunder, be liable to any one for any action or omission to act under this Code, except for his own willful malfeasance or nonfeasance.

7. Suspension of action of the Code Authority.---If the Secretary or the Board shall determine as to matters subject to their respective jurisdiction that any action of the Code Authority or any agency thereof may be unfair or unjust or contrary to the public interest, the Secretary or the Board, as the case may be, may require that such action be suspended to afford an opportunity for investigation of the merits of such action and further consideration by such Code Authority or agency pending final action, which shall not be effective

unless the Secretary or the Board approves, or unless he or it shall fail to disapprove after thirty (30) days' notice to him or it of intention to proceed with such action in its original or modified form.

Sec. 2. Powers and Duties of the Code Authority.---1. In all matters relating to the administration of the provisions of this Code (except as the jurisdiction of the Secretary and the Board may hereafter be changed, pursuant to the order of the President), the Code Authority, subject to such rules and regulations as may be issued by the Secretary and the Board, shall have the following further powers and duties, the exercise of which relating to hours of labor, rates of pay, and other conditions of employment shall be reported to the Board, and as to all other provisions, unless otherwise specified, shall be reported to the Secretary:

(a) To appoint, at its discretion, such regional councils and committees as outlined in subsection 2 (b), section 1 of article VI, as it may deem necessary to assist in the administration of the provisions of this Code;

(b) To insure the execution of the provisions of this Code and provide for the compliance of the members of the Trade with the provisions of the Act;

(c) To adopt bylaws and rules and regulations for its procedure;

(d) To obtain from members of the Trade such information and reports as may be required for the administration of this Code and to provide for submission by members of such informa-

tion and reports as the Secretary and/or the Board may deem necessary for the purposes recited in section 3 (a) of the Act;

(e) To use such trade associations and other agencies as it deems proper for the carrying out of any of its activities provided for herein: Provided, however, That nothing herein shall relieve the Code Authority of its duties or responsibilities under this Code and that such trade associations and agencies shall at all times be subject to and comply with provisions hereof;

(f) To provide facilities for the arbitration of disputes concerning the quality of cotton delivered and/or appeals concerning the terms of contracts, using for these purposes the facilities of any of the cotton associations or exchanges, the New England Arbitration Board, the New England Board of Appeals, the Cotton States Arbitration Board or the Southeastern Appeal Board, and, as to quality, the United States Department of Agriculture, insofar as practicable, under the provisions of the Consolidated Trading Rules appended to this Code. Where these arrangements may not be available or are inadequate, the Code Authority shall set up such other facilities as may be necessary for these purposes, under rules and regulations that it may promulgate subject to the disapproval of the Secretary;

The Code Authority may authorize, assume and/or pay expenses incurred by any regional or local council or recognized arbitration or appeal board in the performance of the duties delegated

to such body under the terms and provisions of this Code:

Provided, however, That no part of the expenses of any arbitration or appeal body charging a fee for its services shall be assumed, unless fees to non-members are substantially the same as to members of any trade association or organization with which the arbitration or appeal body is affiliated and unless all fees collected are credited to the expenses of maintaining such body.

(g) To make recommendation to the Secretary and/or the Board for the coordination of the administration of this Code and such other codes, if any, as may be related to or affect the members of this Trade;

(h) To recommend to the Secretary and/or the Board any action or measures deemed advisable, including further fair trade practice provisions to govern members of the Trade in their relations with each other or with other trades, and measures for industrial planning and stabilization of employment;

(i) To appoint a trade practice committee which shall meet with the trade practice committees appointed under such other codes as may be related to the Trade, for the purpose of formulating fair trade practices to govern the relationships between employers under this Code and under such other codes to the end that such fair trade practices may be proposed to the Secretary and/or the Board as amendments to this Code and such other codes;

(j) To investigate and prepare reports upon complaints of alleged violations of this Code, issue warnings to violators, and, in case of flagrant violations or when requested, submit reports and recommendations thereon to the Secretary: Provided, however, That if a member or alternate of the Code Authority or any of its subsidiary agencies under this Code shall in any case be a party charged with violation of this Code (or the representative of such party), he shall for the purposes of the investigation of said allegation and determination of the issue be deprived of all his rights, duties and privileges as a member or alternate of the Code Authority.

2. Duties of Regional and Local Councils.--The regional and local councils shall constitute local or regional organizations of cotton traders as authorized in subsection 2 (b), section 1 of article VI, and subsection 1(a), section 2 of article VI, to function, each within its territory, as the representative of the Code Authority, and in addition to taking the initiative in promoting the objectives of the Code in its territory, they may make recommendations to the Code Authority touching any aspect of the purposes and administration of this Code.

All action by regional and local councils shall be subject to the supervision and disapproval of the Code Authority.

3. Records.--The Code Authority, the Executive Committee, and the regional or local councils shall keep minutes of all meetings; and copies of the minutes and of all reports shall be sent promptly to the Code Authority and to the representatives of the Secretary and of the Board under this Code.

ARTICLE VII--UNFAIR METHODS OF COMPETITION

The following practices constitute unfair methods of competition and are prohibited:

Section 1. Trading Rules.--To trade in raw cotton without observing the applicable or specified rules for buying and selling cotton appended to this Code and made a part hereof as Exhibit "A", known as Consolidated Trading Rules or American Cotton Rules, or as they hereafter may be amended with the approval of the Secretary. Amendments to the Consolidated Trading Rules may be proposed by any association, exchange, or group recognized under this Code, and shall become effective upon the approval of the Code Authority subject to disapproval by the Secretary: Provided, however, That associations and exchanges may prescribe other rules not in conflict with the trading rules under this Code, to govern transactions of its members, but such rules shall be submitted promptly to the Code Authority and the Secretary, and if found by either agency to be in conflict with rules under the Code, shall be modified or suspended forthwith.

Sec. 2. Private Types.--To use or refer, in the description of any cotton, to any private type, unless such type samples have been duly registered with the Department and are used in accordance with its regulations under the Cotton Standards Act: Provided, however, That this section shall not be construed to require the registration of any actual sample or type sample.

Sec. 3. Quality, Location and Price.--To purchase, trade in or make final settlement for cotton secured directly from a producer,

at a price widely out of line with its current market price, according to quality, quantity, and geographical situation at the time the transaction is consummated, or at a price that is clearly discriminatory between producers or producing areas. The classification of a lot of cotton by a classifier employed or licensed by the United States Department of Agriculture shall be accepted as prima facie evidence of its quality as a basis for determining price. Exactng an excessive or abnormal charge for supplies exchanged for cotton or for storage or other services or for interest on open accounts or for fees or commissions or loans in connection with a cotton trade, shall be regarded as a violation of this section.

Sec. 4. Over and Undergrading.--To over or underclass or weigh any lot of cotton beyond a reasonable tolerance, for or on behalf of any party to any transaction in which such cotton is involved.

Sec. 5. Arbitration.--To refuse to arbitrate any dispute over a trade or contract involving either the quality of cotton delivered or the terms of the contract, in accordance with the applicable or specified trading rules, or to fail or refuse to abide by the decision of such arbitration or the appeal therefrom.

Sec. 6. Excess Sampling.--To take or permit to be taken any pickings or unwarranted sample, or any sample in excess of sixteen (16) ounces, made up of eight (8) ounces from each side, from any bale in the custody of a member, unless a larger sample has been authorized in writing by the owner.

Sec. 7. Posting Terms for Special Services.---To exact a storage or other charge not included in the specified terms of the contract, for handling cotton involved in a trade, without, at the time of the transaction, having posted prominently in the place where the supplementary service is claimed to be rendered, the rates of charge for such service.

Sec. 8. Gifts and Gratuities.---To give, pay, promise to give or pay, either directly or indirectly, to any patron or the employee of any patron, either buyer or seller, or of an associated agency of either, any rebate, free drayage or storage, gratuity, gift, bribe or other payment, premium or other special reward whatsoever beyond the regular and legitimate price paid for the cotton.

(a) Nothing in this section shall be construed to interfere with or prevent the distribution to members and patrons of cooperative associations, of dividends or reserve from properly earned income.

(b) Nothing in this section shall be construed to prohibit, for the present, a cotton trader from selling cotton on consignment and accepting storage without charge in a mill warehouse, against the time when the cotton is purchased by the mill. In the event that this Code is extended beyond June 15, 1935, then such practice shall be prohibited after July 1, 1936, unless the Code Authority shall find for a particular mill that a further extension of this privilege is warranted.

ARTICLE VIII--GENERAL

Section 1. Modification by the President.--This Code and all the provisions thereof are expressly made subject to the right of the President of the United States in accordance with the provisions of subsection (b) of section 10 of the Act, from time to time, to cancel or modify any order, approval, license, rule or regulation issued under said Act.

Sec. 2. Reports.--1. The members of the Trade shall severally, from time to time, upon the request of the Secretary (or the Board in the case of information relating to hours of labor, rates of pay and other conditions of employment), furnish such information to such Federal and State agencies on and in accordance with forms of reports supplied to them (which reports shall be verified under oath) as the Secretary or the Board may designate and require (1) for the protection of consumers, competitors, employees and others, and in furtherance of the public interest, and (2) for the determination by the Secretary or the Board of the extent to which the declared policy of the Act is being effectuated by this Code.

2. Nothing in this Code shall relieve any person of existing obligations to furnish reports to Government agencies.

3. No individual reports shall be disclosed to any other member of the Trade or any other party except as may be directed by the Secretary or the Board.

Sec. 3. Amendments.---This Code may be amended at any time for the better effectuation of the purposes and policies of Title I of the National Industrial Recovery Act upon the recommendation of the Code Authority and the approval of the Secretary and/or the Board, each as to the provisions over which he and/or it has jurisdiction.

Sec. 4. Relation to Existing Laws and Regulations.---Nothing in this Code shall in any way conflict with or be construed as conflicting with the Cotton Standards Act, Cotton Futures Act, or the U. S. Warehouse Act or rules and regulations thereunder relating to raw cotton, insofar as applicable to this Trade, and any provisions of this Code shall be construed as in addition to requirements under those acts and regulations.

Sec. 5. Relation to Future Marketing Agreement and License.---If any license is hereafter issued or any marketing agreement hereafter executed, pursuant to the provisions of the Agricultural Adjustment Act, containing provisions covering the subject matter referred to in sub-clauses (1) to (7) inclusive, of Section 1 of the Executive Order No. 6551 of January 8, 1934, then to that extent such license or marketing agreement shall supersede such provisions of this Code.

Sec. 6. Monopolies.---No provision of this Code shall be so applied as to permit monopolies or monopolistic practices or to eliminate, oppress or discriminate against small enterprises.

Sec. 7. Effective Date.---This Code shall become effective on the second Monday after its approval by the President.

Exhibit A of the Proposed
Code of Fair Competition
for the Raw Cotton Trade

A PROPOSED CONSOLIDATION OF RULES FOR THE
PURCHASE AND SALE OF RAW COTTON

IN AMERICAN MARKETS

Prepared in the
Division of Cotton Marketing,
Bureau of Agricultural Economics,
at the request of the
Agricultural Adjustment Administration,
United States Department of Agriculture,
and the principal cotton organizations of the
United States.

* * * * *

Revised draft of October 1934
as submitted to the Agricultural
Adjustment Administration, sub-
ject to further amendment.

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GENERAL RULES APPLYING TO ALL
CONTRACTS

Title and Applicability of Rules

Title

1. These rules shall be known as "The American Cotton Rules."

Applicability

2. All domestic transactions in raw cotton shall be subject to the following general and supplemental rules and to the definitions in the appendix hereto, except when otherwise specifically provided by contract, or when in conflict with state or Federal law.

Contracts

Contract obligations -- when established

11. Contract obligations between buyer and seller are established when either the buyer has accepted the seller's offer or the seller has accepted the buyer's bid, and when the number of bales and/or weight, as the case may be, the quality, the price or price basis, and the time and place of delivery have been agreed upon. Thereafter neither party may, except by agreement of the other or when the other party is in default, avoid or cancel the contract, and then only under such terms as are set forth in these rules.

Confirmations

12. It shall be the duty of each of the parties within 24 hours to mail or deliver written confirmation or to file telegraphic confirmation of the contract,

unless by mutual agreement the purchaser within 24 hours mails or delivers to the seller a confirmation in duplicate and the seller within 24 hours of receipt of such confirmation, signs and returns one of the copies to the buyer, or unless in the meantime the contract shall have been executed and closed; but in the case of a sale through a factor or broker, a sales note or memorandum given or mailed by the factor or broker within 24 hours to each of the principal parties shall be deemed a sufficient compliance with this rule.

Substitution of
parties

13. Each contract shall contemplate fulfillment according to its terms by the original parties and no substitution of parties shall in any case be made without mutual agreement in writing between such original parties.

Implied
conditions

14. In the absence of notice to the contrary, it shall be understood that the parties to each contract are competent; that the cotton to be delivered will be merchantable in all respects and in condition for shipment as stipulated in the contract, and free of liens for labor, rent, taxes, loans or any other debt; that the contract shall conform in general to the laws governing sales, weights, measures and standards of quality in the jurisdiction where it is made or is to be performed.

Conditions to
be expressed

15. Contracts should be explicit with respect
to the following:

- (a) Price or price basis with applicable premiums and discounts for grades and staples; if a call transaction, whether buyer's or seller's call, the month and market on which the price is based, and original margins, if any.
- (b) Whether payment is to be in cash upon presentation of documents, or if a time draft or acceptance, the period within which it is to be taken up.
- (c) Quantity (Number of bales and/or weight).
- (d) Quality.
- (e) Density (Whether uncompressed or compressed to standard or high density).
- (f) Time of shipment or delivery.
- (g) Territory or place of origin of shipment or delivery.
- (h) Whether delivery includes expense bills in whole or in part, and if so, number of bales represented.
- (i) If compressed, weight of patches.

Note: Items (h) and (i) not essential in sales involving shipment by the seller to mills.

Bids and Offers

- Subject to immediate acceptance 21. All bids and offers shall, unless otherwise specified, be subject to immediate acceptance.
- Bids and offers "good for the day" 22. Bids and offers "good for the day" shall expire at 8:00 P. M. at the place from which they are made, unless rejected and/or canceled in the meantime expressly or by a counter bid or offer.
- "Offers good until canceled" 23. An offer "good until canceled" shall be good until advice of cancelation is received, but in no event longer than ten days.

Descriptions of Quality

- Essentials of a description 31. Descriptions of quality shall be in accordance with the official Cotton Standards of the United States, except when they may be lawfully made according to actual samples, types or by reference to a previous delivery.
- Descriptions implied in the absence of a complete description 32. Should any contract fail to include a complete description of quality, the following shall be understood as implied with respect to any omitted item: grade - any merchantable grade as defined; staple - nothing less than 7/8 of an inch; character - equal to the average of the territory where grown. When grade is described according to the official cotton standards of the United States, it may be

expressly agreed that the cotton shipped or delivered shall be equal in all respects to each of the factors of leaf, color and preparation of the grade specified; but in the absence of an express agreement to the contrary, the seller may ship or deliver cotton the average of the factors of which is not below the grade specified, provided that the cotton shipped or delivered shall not be lower in any factor than the grade specified by more than one grade.

Descriptions of
preparation
implied in
absence of
specific
descriptions

33. When long staple cotton is bought or sold on a grade specification, unless otherwise specified, the "B" preparation of the grade specified, as promulgated by the Department of Agriculture, shall be understood. When cotton is bought or sold on color of one grade and leaf of another grade but without a specification as to preparation, the "B" preparation of the grade specified for leaf shall, unless otherwise specified, be understood. When short staple cotton is bought or sold according to one grade standard for color and to another for leaf, but without a specification as to preparation, the preparation of the grade specified for leaf shall, unless otherwise specified, be understood.

Even-running
grades --
Tolerance

34. In sales of even-running grades, unless otherwise specified, five percent of the bales delivered may be a grade below the grade specified, if offset by an equal percentage of bales a grade above the grade specified.

No tolerance
on average
grades

35. In sales of an average grade, unless otherwise specified, nothing below the lowest grade specified can be delivered.

Description of
one grade to
another

36. Unless otherwise specified, the description of one grade to another shall mean nothing below the lowest grade specified and nothing above the highest grade specified; and the shipment of the lowest grade specified shall be deemed to fulfill the contract.

Description of
one length
of staple to
another

37. Unless otherwise specified, description of one length of staple to another length of staple shall mean nothing below the shortest length specified and nothing above the longest length specified; and the shipment of the shortest length specified shall be deemed to fulfill the contract.

Even-running
staples --
Tolerance

38. In sales of even-running staples, unless otherwise specified, five percent of the bales delivered may be $1/32$ of an inch shorter than the

staple length specified if offset by an equal percentage of bales 1/32 of an inch longer than the staple length specified.

Type
descriptions

39. When any factor or factors of quality are described as equal to a type or previous delivery, the contract shall be understood as requiring the delivery of cotton equal in all respects to the factor or factors represented; but if the type or previous shipment shall have included cotton of more than one grade or staple, the grades and staples of the bales shipped or delivered on such description shall be proportioned accordingly.

Sales on
actual samples
-- Seller's
responsibility

40. When quality is described according to actual samples furnished by the seller, the seller, unless otherwise specified, shall guarantee the integrity of the samples and shall be obligated to deliver the actual bales from which the samples were drawn. When, however, samples are drawn by the buyer or are drawn by a third party and accepted by the buyer, the seller shall be clear of any obligation in this respect.

"On Call" Transactions

Time of
fixation

51. When cotton is bought and/or sold "on call" based on futures, unless otherwise specified or extended by mutual agreement, the price shall be fixed not later than the last market day preceding the first notice day of the month on which the contract price is based. If the fixation has not been made by the party having the call and unless the time for fixation has been postponed by mutual agreement, then the price is automatically fixed on the close of the market of the last day preceding the first notice day of the month on which the contract price is based.

Quotation to
be used for
fixation

52. Unless an actual execution of futures is involved in the fixation of the price in an "on call" transaction or unless otherwise specified, when the price is fixed on the close of the market the average of the closing price range of the designated month shall be used but when the fixation is on the opening of the market, the first quotation of the designated month shall be used.

Cost of
transfers

53. If the call privilege has been transferred from one futures month to another, the party having the call shall pay the necessary expense of transfer which expense shall consist of the usual commission charged a non-member of the cotton exchange involved, plus tax, if any.

Invoicing at a
provisional
price

54. If the price has not been fixed by the time of invoicing, the cotton shall, unless otherwise specified, be invoiced at a provisional price based on the market of that day. Thereafter, either party shall have the right to call for margin to meet any advances or declines in the market from the base price of the provisional invoice. Demands for margin shall be met immediately in funds designated by the party calling for margin, otherwise the party calling for margin may fix the price at his discretion, provided, however, that telegraphic or equivalent written notice of his intention to fix must be given the other party to the contract.

Margins and Guarantee of Performance

Original
margins

61. Original margin, if any, to guarantee the faithful performance of a contract shall be specified in the contract.

Additional
margins

62. Unless otherwise specified, when cotton has been shipped prior to price being fixed, or when the price has been fixed in advance of the date of shipment or delivery, the buyer or the seller may call for margins to the extent of five dollars (\$5.00) per bale for every hundred points advance or decline in the market. Amounts due when called shall be

remitted immediately and in case of an interstate transaction shall be in New York or other mutually satisfactory funds.

If the limit of variation in price as herein provided has been reached and such margins have not been remitted immediately as called for, the party calling for margin may, at his option, close out the contract immediately and settlement shall be made at the price at which the contract has been so closed out. Interest shall not be charged on margins or differences.

Margins on
consignment
cotton

63. Unless otherwise mutually agreed, when advances are made against cotton received on consignment, pending sale, the consignee may call on the owner of the cotton for margins to the extent of five dollars (\$5.00) per bale under the market value to indemnify himself against possible loss by reason of a decline in price. If the owner of the cotton fails to comply immediately with such demand for margin the consignee may, at his option, without further notice, sell the cotton at the best obtainable price and apply the proceeds to the credit of the owner.

Exchange

Paid by
seller

71. Unless otherwise specified in the contract, bank exchange shall be for the account of the seller.

SUPPLEMENTAL RULES

PART I -- ADDITIONAL RULES APPLYING SPECIALLY
TO INTERIOR AND PORT SALES

Deliveries

Growers' Terms

Buyer to take
up cotton at
the bale

101. Unless otherwise agreed, when transactions involve gin yard, street, or mill door delivery, the buyer shall have the privilege of taking up the cotton at the bale. All accrued charges shall be paid by the seller but the buyer shall pay all costs for sampling, weighing or other services ordered by him.

Delivery and
settlement

102. The buyer may elect to weigh or reweigh the cotton in the presence of the seller, or to have the cotton weighed or reweighed without expense to the seller by a weigher licensed by a State or Federal authority or by any other weigher acceptable alike to buyer and seller. Unless the buyer elects to weigh or reweigh the cotton or have it so weighed or reweighed, the settlement shall be calculated upon the seller's weights.

Seller's
privilege
to claim
official
class

103. Unless otherwise specified, if the cotton is sold at a basis price with agreed premiums and discounts for bales above and below the basis

quality either party may demand that the classification of the cotton be certified at his expense by a regularly established board of cotton examiners of the United States Department of Agriculture, from samples approved by both seller and buyer or drawn by a sampler licensed and bonded by the Federal Government or other mutually satisfactory sampler, subject to the right of either party to request a review of the classification as provided in Federal regulations. The buyer shall accept the classification outturn so determined and pay for the cotton accordingly; provided that if either buyer or seller elects to request a review he shall give notice to the other immediately upon receipt of the original classification outturn. All costs incurred in a review of the classification shall be shared by the parties in the proportion in which their contentions are not sustained on the review.

Seller's pre-
rogative as
to payment

104. The seller may demand a certified check or a banker's payment in settlement for the cotton.

Risk and
insurance

105. Unless otherwise agreed, the risk of the seller shall terminate and the risk of the buyer shall attach upon delivery of or payment for the cotton, whichever occurs first.

When settle-
ment final

106. Delivery shall be complete when the classification and weights have been determined and/or the cotton paid for by the buyer, and the settlement shall be final except as it may be reopened by the buyer or seller for fraud or false representation or concealed damage.

Ex-warehouse Terms

Uncompressed
bales to be
delivered
unless other-
wise agreed

107. Unless otherwise specified, ex-warehouse terms shall contemplate the delivery of uncompressed bales with all accrued charges, to date of invoicing, paid by the seller. If by mutual agreement compressed and patched bales are delivered, the seller shall invoice the cotton on the unpatched weights and shall charge the buyer the prevailing cost of patches, provided that if the cotton is compressed to high density the seller shall charge the buyer the prevailing cost of high density compression.

Cotton may be
taken up at
the bale

108. Unless otherwise agreed, the buyer shall have the privilege of receiving the cotton at the bale; but in case it is mutually agreed that the buyer will take up the cotton from samples submitted and guaranteed by the seller, then the buyer shall have the right, at his own expense, to have samples redrawn. If the cotton is reweighed, such redrawn samples shall be weighed with the cotton or their weight invoiced.

Weights

109. Unless otherwise specified, the seller at the time of delivery may have the cotton weighed, at his own expense, by an authorized warehouse weigher or by a public weigher, and invoice it accordingly; otherwise the cotton shall be invoiced at weights last determined by the warehouse or by a public weigher; provided, however, that the buyer shall have the privilege of demanding reweights, at the seller's expense, if the cotton has been sampled more than once after weighing, or if more than 30 days have elapsed since the cotton was weighed, and that the buyer may in any case demand that the cotton be reweighed at his own expense. Weights shall be ascertained after any damaged cotton has been removed.

Payment

110. Unless otherwise agreed, all cotton shall be paid for in local funds at the place of delivery of the cotton against invoice and documents within regular banking hours of the day presented, but if such invoice and documents are presented in less than 2 hours prior to the regular bank closing time, the buyer shall have the right to make the payment during the first regular banking hour the following day. Should the buyer desire to make payment at a later hour than provided herein, the

seller shall have the right to demand that all checks offered in payment for the cotton shall be certified by the bank upon which they are drawn before surrender of the documents.

Risk and
insurance

111. Unless otherwise specified, the risk of the seller shall terminate and the risk of the buyer shall attach when the cotton is paid for and/or upon delivery to the buyer or his agent of negotiable warehouse receipts properly endorsed, or a compress delivery order acceptable to the warehouse for transfer to the buyer or his agent.

F. O. B. Terms

Any quantity
shipment

112. (a) Unless otherwise specified in the contract, when cotton is sold f.o.b. cars at a designated place, the seller shall obtain a railroad bill of lading for the specified quantity of cotton in uncompressed bales and shall assume all accrued charges.

(b) When cotton is sold f.o.b. compress at a designated place, the seller shall deliver compress receipts for the specified quantity of cotton in uncompressed bales and shall assume all accrued charges prior to delivery.

Minimum carload
shipment

113. When the contract specifies the minimum carload weight and the particular transportation rate to be applied, delivery shall consist of loading on the cars the quantity of cotton specified, in bales of such density as are required to accomplish the loading specified, and the obtaining of a railroad bill of lading with all accrued charges including loading paid by the seller; except that compression, if necessary, and marking, patching or other services ordered by the buyer shall be paid for by him.

Buyer's
privilege
to route
cotton

114. The buyer of cotton on f.o.b. terms shall have the privilege of routing or directing the shipment and if the cotton is to be compressed in transit to designate the place of compression when such designation is not in conflict with railroad regulations; provided that the seller shall have the right to designate the originating line if necessary to protect transit refund or freight bills held by him. Shipping instructions shall be furnished the seller simultaneously with the confirmation of the purchase or 24 hours preceding the date of delivery specified in the contract, but the seller shall not be bound by the buyer's instructions unless given in writing.

Seller to
guarantee
weights un-
less compress
weights
specified

115. Unless compress weights are specified, or unless otherwise agreed, correct weights shall be understood as guaranteed by the seller, and the buyer shall have the option of either accepting invoice weights, or of reweighing the cotton. In the event such reweights are unsatisfactory to the seller, he may engage, at his own expense, a disinterested weigher, acceptable to the buyer, to weigh and determine the weight on which payment shall be made.

Payment

116. Payment shall be made against properly endorsed railroad bills of lading or their acceptable equivalent and shall be in funds collectible at destination or other point designated by the buyer. Railroad bills of lading shall show car numbers and initials and the number and marks of the bales therein; and weights shown on bills of lading shall agree with invoice weights. In any case where it is impracticable to show car initials and numbers at the time the bill of lading is issued, information concerning such initials and numbers shall be furnished the buyer before the draft is paid.

Risk and
insurance

117. (a) Unless otherwise specified, when cotton is sold f.o.b. cars the risk of the seller shall terminate and the risk of the buyer shall attach

upon the issuance by the carrier of the bill of lading. The seller shall not be required to replace cotton destroyed, lost, or damaged after issuance of bill of lading.

(b) Unless otherwise specified, when cotton is sold f.o.b. compress or warehouse the risk of the seller shall terminate and the risk of the buyer shall attach when the cotton is paid for and/or upon delivery to the buyer of negotiable compress or warehouse receipts properly endorsed or a delivery order acceptable to the compress or warehouse for transfer to the buyer or his agent.

Landed or To-Arrive Terms

Seller
guarantees
actual
delivery

118. Unless otherwise specified, when cotton is sold "landed" or "to-arrive," the price agreed upon shall include freight to destination and delivery free of cost to the buyer at the place designated. The risk of the seller shall terminate and the risk of the buyer shall attach upon the arrival of the cotton at the destination specified. The seller shall guarantee actual delivery of the cotton at destination and shall accompany draft with certificate or other proof of insurance satisfactory to the buyer. Cotton lost or destroyed in transit shall, at the option of the buyer,

be replaced with like cotton which shall be shipped within 7 business days from the date of notice of such loss or destruction.

Weights

119. Unless otherwise agreed, weights at destination shall govern. If the cotton is shipped by rail, the seller shall deliver documents to the buyer before arrival of the cotton at destination.

Buyer's
privilege
to route
cotton

120. The buyer of cotton on "landed" or "to-arrive" terms shall have the privilege of routing or directing the ~~shipment~~ subject to the provisions of Rule 114.

Payment when
cotton
shipped
by rail

121. Unless otherwise specified,
payment shall be made against railroad bill of lading or its acceptable equivalent and shall be in funds collectible at destination or other point designated by the buyer. Railroad bills of lading shall show the initials and numbers of cars and the number and marks of the bales therein and weights shown on bills of lading shall agree with invoice weights; provided that in any case where it is impractical to show car initials and numbers on the bill of lading this information shall be furnished to the buyer before the draft is paid.

Payment when
cotton
shipped by
truck

122. Unless otherwise specified, if cotton is delivered by truck, the cotton shall be paid for upon compress delivery order or compress receipts, duly endorsed and acceptable to compress company for transfer to buyer, accompanied by certificate of a public or sworn weigher at destination. Where exceptions are noted on the weigher's certificate, the buyer may deduct from the invoice an approximate amount to cover said exceptions pending the final reweight settlement. Payment shall be made in funds collectible at destination or other point designated by the buyer.

Cost and Freight, or Cost, Insurance and Freight

Seller pays
costs

123. When cotton is sold "cost and freight" or "cost, insurance and freight," the price agreed upon shall include freight to destination and delivery free of cost to the buyer at the place designated but the seller shall not be required to replace cotton that fails to arrive at destination.

Risk and
insurance

124. (a) When cotton is sold "cost and freight," the risk of the seller shall terminate and the risk of the buyer shall attach upon the issuance of the bill of lading by the carrier.

(b) When cotton is sold "cost, insurance and freight," the seller shall accompany draft with certificate or other proof of insurance satisfactory to the buyer.

Shipside High Density Terms

Seller's
obligation
with respect
to delivery

125. In all transactions made "shipside high density" the seller shall deliver high density cotton to the dock free of all charges, except wharfage, resampling, reweighing, and remarking ordered by the buyer; provided that in the event the cotton was last weighed more than ten days prior to date of delivery, the buyer may demand reweighing at the seller's expense.

Payment

126. Unless otherwise specified in the contract, payment shall be made in local funds of the port of delivery against ocean bill of lading. Unless the bill of lading can be obtained within 24 hours from the time the contract lot is completed on the pier, the seller shall have the right to demand payment upon delivery to the buyer of dock receipt. If, when the cotton is ready to be delivered to the dock, the steamship agent is unable or unwilling to accept the cotton on the pier on account of lack of space or for other reasons beyond the control of the seller, then buyer must immediately furnish new instructions to seller or pay against compress delivery order or compress receipt duly endorsed and acceptable to compress for transfer to the buyer; in which event,

all charges necessary to deliver the cotton at ship-side, including accrued warehouse and/or compress charges shall be paid by the seller or deducted from the invoice unless seller is willing to carry cotton at buyer's expense until delivery can be made at the pier. The buyer shall have the option of paying against compress delivery order or compress receipts as provided above.

Risk and
insurance

127. Unless otherwise specified, the risk of the seller shall terminate and the risk of the buyer shall attach immediately upon issuance of steamship bill of lading or upon payment as otherwise provided in Rule 126.

Quantities and Weights

Seller's
obligation
as to
weight

131. Unless otherwise specified, every contract shall contemplate the delivery of the actual number of bales specified, in the form of so-called "square" bales of an average gross weight of 525 pounds for cotton of Texas growth and 500 pounds for cotton from other states with an allowable variation of 1 percent either way. Any variation in excess of 1 percent shall be settled for at the difference between the contract price and the market value of the cotton at the time of delivery. When a contract is closed out without actual delivery

of the cotton, settlement shall be made on the basis of 525 pounds per bale for cotton of Texas growth and 500 pounds per bale for cotton from all other states.

Light
weight
bales .

132. When the average gross weight of the bales in any lot of cotton delivered by a seller in fulfillment of a contract is 475 pounds or less, an adjustment in invoice weight to compensate the buyer for excess tare and additional costs shall be made according to the following schedule:

<u>Average gross weight of bales in lot</u>	<u>Deduction per bale</u>
451 to 475 pounds, inclusive	2 pounds
426 to 450 pounds, inclusive	3 pounds
401 to 425 pounds, inclusive	4 pounds
376 to 400 pounds, inclusive	5 pounds
351 to 375 pounds, inclusive	6 pounds
326 to 350 pounds, inclusive	7 pounds
301 to 325 pounds, inclusive	8 pounds

Any bale weighing less than 300 pounds gross or more than 650 pounds gross may be rejected at the discretion of the buyer

Package and Tare

Bagging

135. Upland cotton, when pressed or packed in square bales, shall be covered or wrapped with 6 linear yards of sound bagging, the weight of which shall not exceed 12 pounds. Bales shall not be covered with bagging that will stain or otherwise damage the cotton.

Ties

136. (a) Each bale of uncompressed cotton shall be bound with 6 flat steel ties, 11-1/2 feet in length, weighing with the buckle, 1-1/2 pounds each.

(b) Each bale of standard compressed cotton shall be bound with 8 flat steel ties, 8-1/2 feet in length, weighing with the buckle, 1-1/8 pounds each.

(c) Each bale of cotton compressed to high density shall be bound with 9 flat steel ties, 7-1/2 feet in length, weighing with the buckle, 1 pound each.

Round bale
tare

137. When pressed or packed in round bales upland cotton shall be covered with sound burlap or cotton bagging weighing not to exceed 1 percent of the gross weight of the bale.

Patches

138. Patching of compressed bales shall be according to the specifications of the contract.

Classification and Samples

Seller

guarantees
classification
except
as provided

141. Except when sold on actual samples, or when the buyer agrees to accept the cotton without classification, or when otherwise expressly agreed, the seller shall be understood to guarantee the classification of the cotton as described in the contract.

Sale on
samples

142. When cotton is sold on actual samples, seller shall submit and guarantee samples to be from both sides of the bale.

143. Unless otherwise specified, when a sale is made in which the buyer agrees to accept cotton on original purchase samples, the seller shall furnish the buyer the samples properly couponed by the morning of the first business day following. The seller shall be responsible to the buyer for any loss sustained by reason of false or fraudulently packed cotton or for failure to deliver the actual bales represented by the samples.

144. If the buyer refuses to accept delivery of a lot or any portion of a lot of cotton, claiming it is not equal to purchase samples, the dispute shall be settled by a comparison of the redrawn samples with the purchase samples. Unless the sale is made in accordance with Rule 143, the buyer shall have the right to have redrawn samples sent him by the compress, warehouse or yard in which the cotton is stored, any expense of new samples to be paid by the party in error.

145. In all sales or deliveries made on actual samples, the samples shall be kept intact until the transaction is completed. If the cotton is invoiced on reweights, the samples shall, on demand of the seller, be returned to him or their weight paid for by the buyer at the invoice price of the cotton.

146. When cotton is sold on actual samples or delivered on seller's samples and redrawn samples are not equal to the samples on which the cotton was sold or delivered, the buyer shall promptly notify the seller and the buyer shall have the right to demand immediate replacement of bales not equal or, at the option of the seller, satisfactory settlement of the difference in quality and/or market at the time of delivery shall be made.

Sawfish
class

147. When cotton is sold with a provision for examination by the buyer at the bale, the acceptance of cotton tendered by a seller shall take effect as each bale is tagged or branded by the buyer or his representative, in so far as weights and class are concerned; but the delivery shall not be deemed to have been completed until cotton is invoiced and negotiable documents have been surrendered to the buyer.

Sales on
types

148. When cotton is bought on type, the seller, if requested, shall seal the type in the presence of the buyer or his representative or agent.

Delays and Defaults

Procedure in
case of
failure of
seller to
deliver

151. Unless otherwise agreed, in the event of failure of the seller to deliver according to the contract, the buyer may, subject to the limitations of Rule 155, immediately cancel the contract at the difference in the closing price of the futures market on the date when the purchase price was fixed and the date of cancellation, charging or crediting the seller with the difference in quality and/or market, and other losses properly incurred; or he may within 5 business days fill such purchases in the open market, charging or crediting the seller with the difference between the price paid by him in the open market and the original contract price, and other losses properly incurred by reason of failure of seller to deliver; and the contract shall thereupon be closed. In the event the buyer purchases in the open market, or cancels at the difference in the futures market, notice of intention to close or cancel shall be given by the buyer not later than the day prior to cancellation or open market purchase. If the buyer elects to buy in the open market, the seller may have a comparison made under regular arbitration procedure of authentic samples of cotton

purchased by the buyer under provisions of this rule and the description specified in the contract, and may claim credit from the buyer for any excess value in the cotton so purchased at current market differences.

Procedure in
case of
failure of
buyer to
receive and
pay for
cotton

152. Unless otherwise agreed, if the buyer, after being duly notified by the seller, shall fail to receive the cotton tendered him according to the terms of the contract, on or before the delivery date specified in the contract, then the seller shall notify the buyer, in writing, of his intention to resell the cotton, and shall extend the time for taking up the cotton 48 hours, Sundays and holidays excepted. At the expiration of 48 hours, if the cotton has not been taken up, then the seller must, within 3 business days thereafter, exercise his right to resell the cotton in the open market, and shall charge or credit the buyer with the difference between the price received by him in the open market and the original contract price, in addition to any expense or other losses properly incurred, and the contract shall thereupon be closed.

Partial
default

153. Unless otherwise agreed, in the event the seller has fulfilled his contract only in part within the time fixed by the contract the buyer may elect to declare the seller in default on the entire amount of the contract or to accept that part of the cotton which has been delivered and to cancel the contract in so far as the part in default is concerned; provided, however, that if the buyer has resold or shipped any part of the cotton so delivered in partial fulfillment of the contract before being informed that the seller will not fulfill his obligation in its entirety, the buyer may, subject to the limitations of Rule 155, immediately close the contract as provided in Rule 151 and refer the matter to the arbitration board or committee having jurisdiction in the matter for a determination of the seller's liability to him for loss sustained.

Demurrage

154. Any charges accruing for demurrage shall be for the account of the party responsible for the delay.

Extenuating
circum-
stances

155. The seller shall not be held responsible for delay in making delivery caused by acts of God, fire, flood, war, riot, strikes, embargoes, congestion

at compress, car shortage or quarantine, which affect the cotton contracted for by him for filling his commitments; provided that the seller claiming delay due to such circumstances shall give notice to the buyer by the expiration of the delivery period, and within 2 business days from the end of such period shall send by registered mail, or deliver to the buyer an affidavit showing the cotton ready for shipment and positive reasons for the delay, in which case the date of delivery shall be extended 5 business days after the termination of the condition responsible for the delay and the seller shall not be in default until the expiration of that time.

Claims and Rejections

For Quality

When in
order

161. When a contract for the sale of cotton is based on standard description, type, or actual samples, and the buyer has paid for the cotton before having had an opportunity to inspect it for quality, he may at his option reject any bales received that are below contract specifications for quality subject to the provisions of Rules 34 to 38, inclusive, or may claim on the seller for the market difference between the cotton of the quality received and the

quality specified in the contract, subject in either case to the privilege of the seller to demand an arbitration of the questions in dispute. If more than 50 percent of the cotton is below contract specifications, the entire lot may be rejected by the buyer.

Procedure

162. The buyer shall, within 10 business days from the date of receipt of the cotton or samples, notify the seller of his intention to reject any cotton or to make a claim for an adjustment in price. The seller shall notify the buyer, within 5 business days after receipt of the buyer's notice of intention to claim or reject for defective quality, of his desire to investigate the claim and shall, within 10 business days from the date of such notice, inspect the cotton or samples either personally or by his authorized representative, or make such examination of the buyer's claim as he may desire with a view to making a voluntary or friendly settlement or adjustment of the claim.

Procedure when
tolerance
allowed

163. When cotton is bought or sold under the provisions of rules 34 or 38, any claim for deficiency in grade and/or staple shall be accompanied by a

written statement by the buyer to the effect that there are not a sufficient number of bales above the grade and/or staple length specified to offset the bales for which claim is made.

Differences
in grade
and staple

164. Unless otherwise specified, claims for allowance on differences in grade or staple shall be based on the official differences existing in the designated spot market nearest to the place of delivery at the time of invoicing the cotton.

Costs of
handling
rejections

165. All necessary and usual costs incurred in handling cotton finally rejected shall be paid by the seller and if the rejected cotton is not replaced as provided in Rule 191, interest at the rate of 6 percent per annum may be charged the seller from the date of payment for the cotton to the date of reimbursement for the rejected cotton.

Instructions
for the
disposition
of rejected
cotton

166. Unless otherwise agreed, instructions for the disposition of rejected cotton shall be delivered to the buyer by the seller within 15 business days after notice of rejection, or in the case of arbitration, within 10 business days after the date of the arbitration or appeal award. In the event of the failure of the seller to give such instructions, the buyer may place the cotton in the nearest bonded

warehouse, providing insurance and notifying the seller, and may charge the expense thereof to the seller.

For Weight

When in
order

167. Except in cases in which the contract obligates the buyer to accept gin, compress, public weigher, or other specified weights, claims by the buyer on the seller for loss in weight shall be in order if, on reweighing, by a party mutually satisfactory, the cotton shows a loss of weight from the invoice weight.

Procedure

168. Claims for loss in weight shall be mailed or delivered to the seller within 30 business days after receipt by the buyer of not less than 95 percent of the total number of bales covered by the invoice and shall be accompanied by a detailed list showing number as invoiced and receiving weight of each bale. Bales lost in transit shall be settled for at the invoice weight provided such bales can be identified by tag numbers; otherwise, the average invoice weight shall be used.

For Tare

When in
order

169. If the tare on cotton delivered in fulfillment of a contract exceeds the allowance

specified in Rules 135 to 138, inclusive, the buyer may claim on the seller for the weight of excess tare at the invoice price of the cotton.

Procedure

170. Notice of claims for excess tare shall be mailed or delivered to the seller by the buyer within 15 business days of the receipt of the cotton. If the seller wishes to make a test for tare he must, within 5 business days from receipt of such notice, advise the buyer of his intention to do so. Within 10 business days of receipt of such notice the seller or his representative and the buyer shall, unless otherwise agreed, designate 10 percent of the bales in the delivery or shipment to be tested as representative of the lot in question, and shall strip and weigh the bagging, ties, and patches from these bales. The tare on the bales tested shall be applied proportionately to the number of bales in the invoice; that is, the tare removed from the test bales shall be weighed; this weight shall be divided by the number of bales tested and the result multiplied by the number of bales in the invoice. The weight of tare on the lot of cotton as thus ascertained shall be compared with the tare allowance based on invoice weights or reweights, and

any excess in weight of actual tare over the tare allowance shall constitute the basis for a tare claim, which shall be presented to the seller within 40 business days from the date of the receipt of the cotton.

For Other Cause

When in
order

171. (a) If the cotton received in fulfillment of a contract is found to be mixed-packed or to contain exterior or discernible damage, claim shall be filed within the time allowed for filing weight claims as provided in Rule 168.

(b) If cotton received in fulfillment of a contract is found to be false-packed, or to contain interior or concealed damage, the buyer may, within 12 months from the date of receipt of the cotton, make a claim on the seller for the inferior or damaged portion of the cotton.

(c) All claims for mixed-packed, false-packed or damaged cotton shall be accompanied by an affidavit or other satisfactory evidence.

Notice to
seller

172. Immediately upon the discovery of mixed-packed, false-packed or damaged cotton or within the time limits specified in Rule 171, the buyer shall notify the seller of his intention to claim for such

cause. The seller shall have 10 business days from the date of receipt of such notice to inspect the cotton either personally or by his authorized representative, or make such other examination of the buyer's claim as he may desire with a view to making a voluntary and friendly settlement or adjustment of the claim.

Procedure in
event of
failure of
seller to
investigate

173. If the seller fails to investigate the buyer's claim, as provided in Rule 172, the buyer may reject the mixed-packed, false-packed or damaged bales or he may have the bales reconditioned, and claim on the seller for the weight of the cotton removed at the invoice price plus the cost of reconditioning and, if freight has been paid by the buyer, plus freight on the weight of cotton removed. The seller shall be entitled to the damaged cotton thus removed. Any actual expense properly incurred in handling rejected bales shall be for the account of the seller.

Arbitrations and Appeals

When in
order

175. Should any disagreement arise in matters of quality, condition, weights, tare, or fulfillment of contracts and no satisfactory settlement be reached by the parties, the matter in dispute

may, within 10 business days after such disagreement, be referred by either party for adjustment to the arbitration committee or board, having jurisdiction at the place of delivery.

Statement of
question
at issue

176. Each of the parties shall within 3 business days of notice of arbitration file with the executive officer of the arbitration committee or board having jurisdiction a written statement of the question or questions to be arbitrated. Should either party fail to submit a statement as herein provided, the arbitration committee or board shall proceed with the arbitration ex parte.

Arbitration
may include
all or a
part of lot

177. Either of the parties to a transaction in dispute may require arbitration of the entire lot, or the parties, by mutual agreement, may submit to arbitration only that part of the lot in dispute.

Integrity of
types

178. If the arbitration involves a private type the buyer and seller shall agree on the integrity of the type submitted against which the arbitration is to be made. In the event of failure so to agree, each party shall submit a type with a written statement supporting his contentions and the arbitration committee or board having jurisdiction in questions other than

quality shall determine against which type the arbitration shall be made.

Integrity of
samples

179. Unless otherwise agreed, the samples submitted to the arbitration committee or board must be freshly drawn from both sides of each bale in dispute by a disinterested party.

Parties to be
notified of
arbitration
award

180. Both parties concerned in an arbitration shall be notified promptly in writing by the executive officer of the arbitration committee or board of the arbitration award.

Appeals

181. In disputes involving quality, should either party be dissatisfied with the award of the arbitration committee or board to which an arbitration is submitted, an appeal may, unless otherwise agreed, be taken, within 5 business days of the arbitration award, by either party to the Appeal Board of Review Examiners, Bureau of Agricultural Economics, Washington, D. C., whose decision as to the classification or comparison of the cotton shall be final.

Guarantee of
cost of
arbitration

182. The party requesting arbitration or appeal shall, if required by the arbitration or appeal committee or board concerned, accompany his request with a certified check covering the expense of such arbitration or appeal.

Costs to be
pro-rated
on outturn

183. In quality arbitrations and appeals the buyer shall pay the fees on all bales passed as being equal to the contract description, and the seller shall pay the fees on all bales not passed as being equal to the contract description, and any costs incurred for resampling shall also be apportioned on the same basis.

Payment of costs
of arbitra-
tion other
than quality
to be decided
in advance

184. In all arbitrations involving questions other than quality, the principals shall decide in advance who shall pay the fees, failing in which the arbitration committee or board officiating shall decide which party shall pay the fees.

Procedure while
arbitration
or appeal
pending

185. The seller shall not have the right to delay shipment of cotton involved in arbitration or appeal beyond the delivery date of the contract. Pending the arbitration or appeal award the buyer may at his option:

- (a) Make any disposition of the cotton he wishes and pay the seller for the same in the usual manner upon the basis of the qualities and weights, and at the value claimed by the buyer under the terms of the contract, and shall at the same time, unless other-

otherwise agreed, send the seller a certified check made payable to the arbitration committee or board to which the arbitration has been submitted for the amount of differences plus the cost of arbitration: or

- (b). Make such disposition of the cotton as he wishes and pay the amount claimed by the seller under the terms of the contract, and unless otherwise agreed, receive in exchange from the seller a certified check made payable to the arbitration committee or board to which the arbitration has been submitted for the amount of the difference in dispute plus the cost of arbitration.

The award of the arbitration committee or board shall be paid by such committee or board to the rightful disputant out of the funds so deposited, and any balance remaining shall be refunded to the depositor. In the event an appeal is taken to the Appeal Board of Review Examiners, as provided in Rule 181, the committee or board with whom the check was deposited shall retain such deposit until the appeal award has been made

after which the funds so deposited shall be paid in accordance with the appeal award and any balance shall be refunded to the depositor.

Procedure when
cotton sold
on buyer's
class

183. When cotton is shipped or delivered to the buyer and sold on buyer's class, the buyer shall hold the actual cotton not less than 3 business days and shall retain the samples 7 business days after rendering seller outturn on each completed lot. If the seller is dissatisfied with the buyer's class, he must within 7 business days from the date of rendition of outturn instruct the buyer to submit the samples held by the buyer to the arbitration board having jurisdiction at the place of delivery, in which event settlement shall be based on the class of the arbitration board. Otherwise, the buyer's class shall be final.

No replacement
of cotton
shipped while
arbitration
pending

187. If the buyer elects to ship the cotton pending arbitration or appeal he may not thereafter require replacement of any bales found by the arbitration committee or board to be not equal to the contract specification.

Replacements

When replace-
ment shall
be made

191. If the cotton is rejected by the buyer because of its not conforming to the terms of the

contract and the rejection is upheld on arbitration or appeal, the seller shall have the right to replace and the purchaser may require replacement. Such replacement shall be made within 14 business days after notice of rejection, or, in the case of arbitration or appeal, within 7 business days after the date of the arbitration or appeal award.

Where cotton of various grades has been sold at an average price and the rejections are above the average of the lot, the seller shall make good to the buyer the difference in value between the rejected bales and the average of the lot, and if the rejections are below the average of the lot, the buyer shall in like manner make good the difference in value to the seller, all such differences to be determined by the samples of the seller or the description on which the cotton was sold.

Weight of
replacements

192. Unless otherwise agreed, replacement shall be made of the same weight as the cotton rejected within 5 percent, except in cases where the rejections exceed 50 bales when the replacement shall be within 2 percent.

Procedure in
the event
of failure
to replace

193. If a replacement is not made within 14 business days after notice of rejection, or in the case of arbitration or appeal within 7 business days after the date of arbitration or appeal award or if a replacement does not conform to the terms of the contract, the buyer may cancel the contract to the extent of such rejections, or may replace the rejected cotton at the market price, and in either case the market difference shall be adjusted between the buyer and the seller with liquidated damages of one-fourth cent per pound to the buyer. If the buyer replaces the cotton rejected by purchase in the open market, the seller shall have the privilege of comparison, under regular arbitration procedure, of authentic samples of the cotton purchased by the buyer under the provisions of this Rule, and the description, type or types or actual samples specified in the original contract.

SUPPLEMENTAL RULES

PART I-A -- ADDITIONAL RULES APPLYING SPECIALLY
TO GUARANTEED THROUGH SALES

Rules applicable
for domestic
destinations

101-A. (a) When cotton is sold "guaranteed through" for delivery within the United States, the contract shall be subject to the rules applying to shippers' sales to mills, if shipment is to a domestic mill, or to the rules applying to interior and port transactions if otherwise destined and also to such of the following rules as are not in conflict therewith.

Rules applicable
for foreign
destinations

(b) When shipment is to a foreign destination, the contract shall be subject to the rules and terms in effect at destination and also to such of the following rules as are not in conflict therewith.

Limits of
guarantee

102-A. Unless otherwise specified, the guarantee of the seller in a "guaranteed through" transaction shall not be construed to extend beyond a guarantee of weight, quality, condition, tare and time of shipment.

Number of bales
in a contract
or shipment

103-A. Unless otherwise specified, each 100 bales shall constitute a separate contract. Shipments shall be in lots of 50 or 100 bales of the same grade and staple. Each lot shall be under one

invoice and one bill of lading. The buyer shall not be obligated to pay a draft against any uncompleted mark.

Guarantee not
changed
because of
necessity for
recompressing

104-A. When cotton is recompressed for the purpose of obtaining required density, the guarantee attaching to the cotton shall be in nowise released or changed and all charges incident thereto shall be paid by the seller.

Shipping
instructions

105-A. The buyer shall, on demand, furnish the seller shipping instructions not later than the first day of the period of "shipment" or "sailing" specified in the contract. In the event of the buyer's failure so to furnish shipping instructions, the seller shall have the right to charge the buyer with costs of carrying the cotton from the day following until the day such instructions are received, both days included. If the seller has not received shipping instructions by the end of the period for shipment or sailing specified in the contract, the seller shall have the privilege, after giving the buyer 24 hours' telegraphic or equivalent written notice, to resell the cotton in the open market and to charge or credit the buyer with the

difference received in the open market and the original contract price, together with all carrying charges and other losses incurred.

Shipping
marks

106-A. Written notice shall be given the buyer of any change in seller's shipping marks, and no reclamation shall be allowed on any new mark unless such notice has been given to seller or his representative before the cotton is shipped. The buyer shall have the right to remove all head-brands or private brands, and to substitute other head-brands.

Examination
by the
buyer

107-A. Unless otherwise agreed, the seller shall, if requested not later than 2 business days prior to shipment, furnish the buyer couponed samples from the bales involved in a "guaranteed through" transaction and may invoice the weight of such samples to the buyer at the price stated in the contract. If the seller, to comply with the buyer's request, is obliged to resample the cotton, the cost of such resampling shall also be paid by the buyer.

Time for pre-
sentation
of claims

108-A. Claims for quality, excess tare, or loss in weight on "guaranteed through" cotton, shall be presented to the seller, within the time limit as stipulated in the rules applicable to the trans-

action, but to enable the buyer to obtain the necessary papers, an additional 30 days shall be allowed for filing claims with the seller and in the case of cotton going to the Orient, the additional time allowed shall be 45 days.

Seller representation at destination

109-A. The seller shall have the right to appoint a controller at destination to supervise, on his behalf, the weighing, sampling, and inspection for damage or excess tare. In the event the seller does not appoint a controller by the date of shipment, the buyer shall name a controller to act for the seller's account. All claims shall be accompanied by such controller's certificate or certificates.

Deduction for claims

110-A. (a) In claims for quality, on "guaranteed through" cotton, 6 percent shall be deducted from the gross invoice weight when the cotton has been shipped on C.F. and 6 percent, or C.I.F. and 6 percent terms, but not otherwise.

(b) In case of arbitration allowance, claim shall be based on receiving weight less deductions for tare, if any.

Additions to
claims for
loss in
weight

111-A. Unless otherwise specified, when the loss in weight exceeds 1 percent, the buyer shall claim on the seller for the freight, wharfage and insurance on the loss in weight for which the buyer has a claim under the contract.

Payment

112-A. Unless otherwise specified, payment shall be made against bill of lading or its acceptable equivalent and shall be in funds collectible at the point where the buyer's principal office for the territory is located.

Risk and
insurance

113-A. Unless otherwise specified, the risk of the seller shall terminate and the risk of the buyer shall attach upon the issuance of the bill of lading by the initial carrier.

SUPPLEMENTAL RULES

PART I-B -- ADDITIONAL RULES APPLYING ONLY TO
SALES THROUGH SPOT BROKERS UNDER
PARTS I AND I-A OF SUPPLEMENTAL RULES

Rules
applicable

101-B. Transactions through Spot Brokers
shall be subject in all respects not covered herein
to the General Rules and Parts I and I-A of Special
Rules governing Interior and Port Sales.

Integrity of
samples
guaranteed

102-B. The integrity of samples displayed
shall be guaranteed by the broker. Samples shall
not be dressed and shall be shown with the lower
side uppermost.

Right to have
redrawn
samples

103-B. The buyer shall have the right to
demand that redrawn samples be sent to him directly
from the compress, warehouse or yard, the cost of
resampling to be borne by the buyer. The original
sale samples shall be sealed and held by the broker
until arrival of the redrawn samples. If the
redrawn samples do not prove equal to the original
samples, the seller shall make good any loss to the
buyer.

Sales on
actual
samples

104-B. Where cotton is sold on actual samples
the broker shall, if requested by the buyer, issue
resampling instructions as soon as possible but
within 24 hours from the time of sale, and after

receipt of the redrawn samples, the shipper shall be allowed 48 hours in which to class the cotton and issue his shipping instructions. In case, however, a buyer is in urgent need of the cotton, he shall be allowed to ship it on the original samples, but if it is found upon arrival of resamples, which shall be drawn by a disinterested party before shipment, that the cotton is not equal to original samples, the seller shall be responsible to the buyer for the difference in quality.

Sales subject
to approval

105-B. When cotton is sold "subject to approval by buyer, if not approved, then no trade," it shall be necessary for the buyer to approve 90 percent in order to consummate delivery; otherwise the seller shall have the privilege to cancel the entire lot, in which case no commission shall be due the broker.

SUPPLEMENTAL RULES

PART II -- ADDITIONAL RULES APPLYING SPECIALLY
TO SHIPPERS' SALES TO MILLS

Shipment and Delivery

Time allowed
seller to
ship or
deliver

201. Unless otherwise specified, cotton shall be actually shipped and bill of lading or its acceptable equivalent issued therefor within the period allowed by the contract; provided that the seller shall not be held responsible for delay in making shipment caused by acts of God, fire, flood, war, riot, strikes, embargoes, congestion at compress, car shortage or quarantine which affect the cotton contracted for by him for filling his commitments.

Units of
shipment

202. On contracts of less than 100 bales the seller may make shipments of five, ten or twenty-five bale lots, but on contracts of 100 bales or more, shipments shall be made in lots of not less than 50 bales, each lot to be under one invoice and one bill of lading.

Car initials and
number to
show on bills
of lading

203. When shipments originate by rail, bill of lading shall show car initials and numbers and the number and marks of the bales therein; and weights shown on bills of lading shall agree with invoice weights. In any case where it is impracticable to show car initials and numbers at the time the bill

of lading is issued, information concerning such initials and numbers shall be furnished the buyer before the draft is paid.

Time allowed
buyer to
receive
and pay

204. Unless otherwise specified, the seller shall draw at sight on buyer with bill of lading or its acceptable equivalent attached to draft for the purchase price of the cotton described in the invoice, drafts to be without exchange or collection charges; provided that in cases where the buyer elects to specify some particular bank through which drafts on him are to be drawn, the buyer shall be held liable for any loss or expense the seller may sustain by routing drafts through such bank.

Delays and Defaults

Procedure in
event of
failure of
seller to
ship or
deliver

211. When the time of shipment or delivery specified in the contract has expired and the cotton contracted for has not been shipped or delivered, the buyer may, after due notice to the seller, cancel the contract for the cotton in default or may buy in the open market cotton of equal quality for immediate delivery, the market difference to be adjusted between the buyer and seller, with one-fourth cent per pound assessed against the seller as liquidated damages; provided, however, that when the seller claims that delay is due to causes mentioned in Rule 201, the

seller shall give notice to the buyer by the expiration of the shipment or delivery period, and within 2 business days after the end of such period shall mail by registered mail, or deliver to the buyer, an affidavit showing cotton ready for shipment and positive reasons for the delay, in which case the date of shipment or delivery shall be extended 10 business days from the termination of the condition responsible for the delay and the seller shall not be in default nor liquidated damages accrue until the expiration of that time.' If such affidavit is not furnished within 5 business days the buyer may cancel the contract for the cotton in default or may buy in the open market cotton of equal quality for immediate delivery, the market difference to be adjusted between the buyer and seller, with one-fourth cent per pound assessed against the seller as liquidated damages.' If the buyer buys in the open market, the seller may, upon request, have a comparison made, under the regular arbitration procedure, of authentic samples of the cotton purchased by the buyer, under the provisions of this Rule, and the description, type or types or actual samples specified in the original contract.

Procedure in
event of
failure of
buyer to
receive
and pay

212. In the event of failure of the buyer to pay for and receive cotton as provided for under Rule 204, the seller may after due notice to the buyer dispose of the cotton in the open market for the account of the buyer with one-fourth cent per pound liquidated damages to the seller.

Demurrage

213. Any charges accruing for demurrage shall be for the account of the party responsible for the delay.

Quantities and Weights

Seller's
obligation
as to
weight

221. Unless otherwise agreed and except when cotton is sold on actual samples, every contract calling for fifty bales of cotton or more shall contemplate the delivery of square bales of an average gross weight of 500 pounds, with an allowable variation of 2 percent either way if the contract is for less than 100 bales, or a variation of 1 percent either way if the contract is for 100 bales or more. If necessary to bring the actual weight of cotton delivered within the total weight of the contract thus calculated, the seller shall deliver more or less bales than the number stated in the contract, as the case may require. When cotton is sold on actual samples or when the contract calls for less than 50 bales, the contract shall be

understood to require the delivery of the actual number of running bales stated, whatever their actual weight may be.

Weights to
be used

222. Subject to the following conditions the seller shall guarantee the invoice weights:

Unless received in a damp or damaged condition all cotton, within 72 hours after its arrival at destination, Sundays or legal holidays from midnight to midnight not included, shall be weighed by the buyer. For each day's delay in weighing after 72 hours, there shall be an allowance to the seller of one-fourth pound per bale. Weights shall be ascertained before any samples have been drawn and/or bands removed. The scales on which the cotton is weighed shall have been tested, within 30 days, by the public authority charged with responsibility for weights and measures, and the return of arrival weights shall, when request is made therefor, be attested under oath, unless signed by a sworn weigher or by a bonded weigher responsible to an agency of the public. The buyer shall, within 24 hours after weighing cotton on arrival, notify the seller by mail or telegraph of any gain or loss from the invoice

weight, and settlement shall be made by the parties for such gain or loss, as the case may be. Weight returns shall show the number and mark as invoiced and receiving weight of each individual bale without any deduction for dampness, extra bands or other cause.

Weighing wet
or damaged
cotton

223. When cotton is received by the buyer in wet or damaged condition it shall be weighed immediately and the seller and transportation company notified in writing of its condition. The cotton shall be receipted for by the buyer to the transportation company under protest, and the seller shall be notified immediately of such protest. Such cotton shall be held until in a suitable condition for reweighing, giving the seller an opportunity to investigate. By mutual agreement a controller may be called in to make an examination in such cases and arrive at a settlement with the buyer if possible, but the buyer shall not be required to hold the cotton for a period longer than 10 days after notification to the seller.

Seller's right
to reweigh

224. In case the buyer's receiving weights show a loss from the invoice weight exceeding 2 pounds per bale, the cotton shall be held and the seller given an

opportunity to reweigh if he desires, but the purchaser shall not be required to hold the cotton for the purpose of reweighing for a longer period than 10 business days after such notification. If the cotton is held in a heated warehouse, proper allowance shall be made for extra shrinkage.

Notification of
desire to
reweigh

225. If the seller desires to reweigh, he must notify the purchaser, within 5 business days from the date of receipt of the buyer's weight return, of his desire to reweigh. If the buyer can not furnish immediate access to the cotton, he shall be allowed 10 business days from the date of said notice to put the cotton in position for reweighing. If at the end of 10 business days the purchaser is still unable to afford access to the cotton he shall allow the seller one-fourth pound per bale for each day thereafter until the cotton is accessible for reweighing.

When settlement
shall be based
on reweights

226. If on reweighing, the reweights agree with the original receiving weights, within 1 pound per bale, settlement shall be made on the reweights and the seller shall pay the cost of reweighing and also the charge for handling. If the reweights show a gain between 1 pound and 2 pounds per bale over the

original receiving weights, settlement shall be made on the reweights, the seller paying the cost of reweighing and the purchaser making no charge for handling. If the reweights show a gain of more than 2 pounds per bale over the original receiving weights, settlement shall be made on the reweights and the purchaser shall pay the cost of reweighing and shall make no charge for handling.

Claims and Rejections

For Quality

When in order
in case of
a sale on
standard
descriptions

231. When sale is based on standard description and less than 50 percent of the cotton received in fulfillment of a contract is below contract specifications for quality, the buyer may, at his option, reject the cotton found on arrival to be below contract specifications or may claim on the seller for the market difference between the cotton of the quality received and of the quality specified in the contract, subject in either case to the privilege of the seller to demand arbitration. If more than 50 percent of the cotton is below contract specifications, the entire lot may be rejected by the buyer, except that where long staple cotton is involved the buyer shall accept any cotton conforming to the terms of the contract.

- When in order in
case of a sale
on types or
actual samples
232. When cotton is bought on type or actual sample, the buyer may reject any bale not equal to the specified type or sample, subject to the privilege of the seller to demand arbitration.
- Buyer's notice of
deficiency
233. The buyer shall, within 10 business days from the date of receipt of the cotton, notify the seller of the nature and extent of the deficiency and of his intention to reject the cotton or to make a claim for an adjustment in price.
- Procedure when
tolerance
allowed
234. When cotton is bought or sold under the provisions of Rules 34 or 38, any claim for deficiency in grade and/or staple shall be accompanied by a written statement by the buyer to the effect that there are not a sufficient number of bales above the grade and/or staple length specified to offset the bales for which claim is made.
- Seller's notice
of desire to
investigate
235. The seller shall notify the buyer, within 5 business days of receipt of the buyer's notice of intention to claim or reject for defective quality, of his desire to investigate the claim and shall within 10 business days from the date of such notice, either personally or by his authorized representative, inspect the cotton or make such examination of the buyer's claim as he may desire, with a view of making

a voluntary and friendly settlement or adjustment of the claim.

Allowances of
market
differences

236. Unless otherwise agreed, claims for allowance on differences in grade or staple shall be based on the differences existing at the time of arrival of the cotton.

Cost of
handling
rejections

237. The cost of handling cotton finally rejected shall be paid by the seller. Interest at the rate of 6 percent per annum may be charged the seller from the date of payment for the cotton to the date of reimbursement for the rejected cotton. In the adjustment of market differences between buyer and seller for rejections, liquidated damages of one-fourth cent per pound shall be assessed against the seller.

Shipping
instructions
on rejected
cotton

238. Unless otherwise agreed between the buyer and the seller, shipping and reimbursement instructions on rejected cotton shall be delivered to the buyer by the seller within 15 business days after notice of rejection, or, in the case of arbitrations, within 10 business days after the date of the arbitration or appeal award. In the event of failure of the seller to give such instructions the buyer may place the cotton in the nearest bonded

warehouse, providing insurance and notifying the seller, and may charge the expense thereof to the seller.

For Weight

When in
order

241. A claim by the buyer on the seller for loss in weight shall be in order when the arrival weight is less than the invoice weight or when the reweight shows a loss from the invoice weight.

Procedure

242. Claims for loss in weight shall be mailed or delivered to the seller within 15 business days after receipt by the buyer of not less than 95 percent of the total number of bales covered by the invoice. For bales lost in transit, the invoice weight shall be used provided such bales can be identified by tag numbers, otherwise the average invoice weight shall be used. Claims shall be accompanied by the buyer's certificate as follows:

Form of Weight Return

.....19...

This is to certify that B/C marked
invoiced towere weighed
promptly (within 72 hours) after arrival and before
any samples or bands were removed from any of the
bales by us; also that the individual weights of the
bales as shown on the attached detailed weight lists
are the gross weights of each bale and that the scale
on which they were weighed was last tested on

.....19...by

By

For Tare

When in
order

251. Unless otherwise specified, if the tare exceeds 4.4 percent of the gross weight of the shipment for uncompressed bales, or 4.8 percent for compressed bales, the buyer may claim on the seller for the weight of excess tare at the invoice price of the cotton.

Procedure

252. Notice of claim for excess tare shall be mailed or delivered to the seller by the buyer within 20 business days from the date of receipt of the cotton at the place where same is to be used, but in no case later than 3 months after delivery of the cotton by the seller. If the seller wishes to make a test of tare he must, within 5 business days of the receipt of such notice advise the buyer in writing of his intention to do so. Within 10 business days of the receipt of such notice the seller or his representative and the buyer shall, unless otherwise agreed, designate 10 percent of the bales in the delivery or shipment to be tested as representative of the lot of cotton in question, and shall strip and weigh the bagging, ties, and patches from these bales. The tare of the bales tested shall be applied proportionately to the number of bales in

the invoice, that is, the tare removed from the test bales shall be weighed; this weight shall be divided by the number of bales tested and the result multiplied by the number of bales in the invoice. The weight of tare on the shipment as thus ascertained shall be compared with the tare allowance based on destination weights, and any excess in the weight of actual tare over the tare allowance shall constitute the basis for a tare claim, which shall be presented to the seller within 6 months from the date of receipt of the cotton in the case of short staple cotton, and within 9 months from the date of receipt of the cotton when long staple cotton is involved. Claims for excess tare shall be entirely independent of adjustments for gains or losses in weight.

For Other Cause

When in
order

261. (a) If cotton received in fulfillment of a contract is found to be mixed-packed or to contain exterior or discernible damage, claim shall be filed within the time limit allowed for filing weight claims as provided in Rule 242.

(b) If upon opening at the mill, any bale received in fulfillment of a contract is found to be water-packed, false-packed, or to be damaged in its interior, the buyer may, within 9 months from the

date of arrival of the cotton, make a claim on the seller for the inferior or damaged portion of the bale.

(c) All claims for mixed-packed, false-packed or damaged cotton shall be accompanied by an affidavit or other satisfactory evidence.

Procedure

262. Within 24 hours after discovery of inferior cotton, as enumerated in Rule 261, the buyer shall notify the seller by mail or telegram of his intention to claim for such cotton. The seller shall have 10 business days from the date of receipt of such notice to inspect the cotton, either personally or by his authorized representative, or make such other examination of the buyer's claim as he may desire with a view of making a voluntary and friendly settlement or adjustment of the claim. If the seller fails to investigate the buyer's claim, the buyer shall use the portion of the bale that is not defective; if possible, he shall also use the defective portion at an allowance, otherwise he shall hold same, with all identification tags, for the account of the seller and shall claim on the seller for the invoice price of the cotton accompanying his claim with a sworn statement as to the condition of the cotton.

Arbitrations and Appeals

When in
order

271. Should disagreement arise between the buyer and the seller in matters of quality, condition, weights, tare, or fulfillment of contracts, and no satisfactory settlement be arrived at by mutual agreement, then the matter in dispute may be submitted by either party to the contract, for arbitration.

Procedure in
arbitrations
for quality

272. If the dispute has to do with quality it may, unless otherwise specified, be submitted by either party to:

(a) The Cotton States Arbitration Board, if the place of delivery specified in the contract is located in a cotton-producing State.

(b) The New England Classification Committee, if the place of delivery specified in the contract is located in a non-cotton-producing State.

Identity of
parties to
be withheld

273. The names of the parties at interest shall not appear nor shall any identification marks, other than tag numbers, be on the cotton when it is submitted to the classers for classification or comparison.

Integrity of
types

274. If the arbitration involves a private type the buyer and seller shall agree on the integrity of the type submitted against which the arbitration

is to be made. In the event of failure so to agree, each party shall submit a type with a written statement supporting his contentions and the arbitration committee or board having jurisdiction in questions other than quality shall determine against which type the arbitration shall be made.

Sales involving
approval of
samples before
shipment

275. When a contract for the sale of cotton provides for the submission of samples by the seller and the approval of the samples by the buyer prior to shipment of the cotton and the buyer does not approve, within 5 business days, the samples submitted by the seller, the seller may demand arbitration. In such case the samples submitted for arbitration shall be prepared in the presence of both buyer and seller, or their representatives. If the samples are passed by the arbitration committee or board, such samples shall be held and the buyer may have new samples drawn on arrival of the cotton and submitted for comparison with the samples originally passed.

Appeals

276. Should either party be dissatisfied with the award of the arbitration committee or board to which an arbitration is submitted, an appeal may, unless otherwise specified, be taken within 15 business days of the arbitration award, by either party to the

Appeal Board of Review Examiners, Bureau of Agricultural Economics, Washington, D. C., whose decision as to the classification or comparison of the cotton shall be final.

Arbitrations
other than
for quality

277. If the dispute has to do with matters other than quality, it may, unless otherwise specified, be submitted by either party to:

(a) The Southeastern Appeal Board, if the place of delivery specified in the contract is located in a cotton-producing State.

(b) The New England Board of Appeals, if the place of delivery specified in the contract is located in a non-cotton-producing State.

Statement of
question
at issue

278. It shall be obligatory on the part of the other party to consent to the arbitration, and should such party fail to submit a statement of his case within 15 business days, then the board to which the case has been submitted shall proceed with the arbitration ex parte. Decisions of the Southeastern Appeal Board or the New England Board of Appeals shall be final.

Costs of
arbitration
and appeal

279. The expense for arbitrations or appeals shall be distributed as follows:

- (a) In quality arbitrations and/or appeals
the buyer shall pay the fees on all bales
passed as being equal to the contract,
and the seller shall pay the fees on all
bales not passed as being equal to the
contract, and any cost incurred for re-
sampling shall also be apportioned on the
same basis. On each bale in dispute both
as to grade and staple and with respect
to which the buyer's and seller's con-
tentions are both sustained in part, the
fees shall be equally divided between
buyer and seller.
- (b) In all arbitrations involving questions
other than quality, the principals shall
decide in advance who shall pay the fees,
failing in which the Southeastern Appeal
Board or the New England Board of Appeals,
as the case may be, shall decide which
party shall pay the fees.
- (c) The procedure of payment shall conform to
the requirements of the arbitration or
appeal board involved.

Replacements

When replacement
shall be made

281. If the cotton is rejected by the buyer because of its not conforming to the terms of the contract and the rejection is upheld on arbitration or appeal, the seller shall have the right to replace and the purchaser may require replacement. Such replacement shall be made within 20 business days after notice of rejection, or, in the case of arbitration or appeal within 15 business days after the date of the arbitration or appeal award.

Weight of
replacement

282. Unless otherwise agreed, replacement shall be made of the same weight as the cotton rejected within 5 percent, except in cases where the rejections exceed 50 bales when the replacement shall be within 2 percent.

Adjustments on
rejections
when sale is
on average
price

283. Where cotton of various grades has been sold at an average price and the rejections are above the average of the lot, the seller shall make good to the buyer the difference in value between the rejected bales and the average of the lot, and if the rejections are below the average of the lot, the buyer shall in like manner make good the difference in value to the seller, all such differences to be determined by the samples of the seller or the description on which the cotton was sold.

Procedure in the
event of
failure to
replace

284. If a replacement is not made within 20 business days after notice of rejection, or in the case of arbitration or appeal within 15 business days after the date of arbitration or appeal award, or if a replacement is rejected, the buyer may cancel the contract to the extent of such rejections, or may replace the rejected cotton at the market price, and in either case the market difference shall be adjusted between the buyer and the seller with liquidated damages of one-fourth cent per pound to the buyer. If the buyer replaces the cotton rejected by purchase in the open market, the seller shall have the privilege of comparison as provided in Rule 211.

Expense of
replacement

285. Actual expenses properly incurred by reason of the necessity of replacement shall be borne by the seller; provided, however, that such expenses shall not exceed \$1.00 per bale, exclusive of interest and charges for arbitration.

Risk and Insurance

Cotton sold
landed

291. When the contract specifies that the cotton shall be landed, the price agreed upon shall include freight to destination and delivery free of cost to the buyer at the place designated. The risk

of the seller shall terminate and the risk of the buyer shall attach upon the arrival of the cotton at destination. The seller shall guarantee actual delivery of the cotton at destination and shall accompany draft with certificate or other proof of insurance satisfactory to the buyer. Cotton lost or destroyed in transit shall, at the option of the buyer, be replaced with like cotton which shall be shipped within 15 business days from the date of notice of such loss or destruction.

Cotton not
sold landed

292. (a) Unless the contract specifies that the cotton shall be landed at destination, the cotton shall be at the risk of the buyer from the time of the issuance of the bill of lading. The buyer shall pay all drafts against bill of lading covering such cotton even though lost or destroyed while in transit and the seller shall not be obligated to replace such cotton.

(b) Transit insurance shall be paid by the purchaser when the seller ships either all-rail, or rail and water, and uses only recognized, regularly established water routes; provided, however, that the seller shall pay any excess over the all-rail insurance rate.

(c) The shipper shall furnish information and assistance, when requested, for tracing and identifying lost cotton and for collecting insurance or damages in case of loss or damage.

SUPPLEMENTAL RULES

PART II-A -- ADDITIONAL RULES APPLYING ONLY TO
SALES THROUGH MILL BROKERS UNDER
PART II OF SUPPLEMENTAL RULES

Buyers' and
sellers'
names to be
mutually
approved

201-A. A contract of sale shall not be deemed binding until buyers' and sellers' names have been mutually approved. In case the seller and/or buyer does not accept the same of the other party, it may be agreed between the dissenting party and the broker, that the broker will guarantee said dissenting party against loss from insolvency of the other party in which event the broker shall so state in his confirmation.

Broker's
responsi-
bility to
his
principals

202-A. Brokers shall assume responsibility for their errors. When trading they shall keep parties to the contract duly informed of all conditions and terms affecting the transaction and they shall be responsible for any misrepresentation which they shall make to either the buyer or the seller.

Confirmation
of sales

203-A. All telegraphic and telephone sales shall be confirmed immediately by letter.

When commission
is allowed

204-A. Brokers may, unless otherwise specified, charge a commission:

- (a) On all sales they negotiate to completion.
- (b) If they initiate a trade between buyers and sellers, even though the final consummation of

the transaction is negotiated direct between the contracting parties, but only if the sale is made within 5 business days of advice of initiation and the broker has disclosed to one of the parties the name of the other party.

(c) On the bales that are accepted on sales made subject to approval of the cotton.

(d) On follow-on business within 10 business days of original trades, even though negotiated direct between the seller and the buyer.

(e) If any cotton is sold to mills assigned exclusively to him although negotiated through another broker.

If a trade is cancelled between original buyer and seller for any reason whatsoever, with the assistance of the original broker, the broker shall be entitled to full commission from the original seller and furthermore, to one-half the commission from the original buyer, in remuneration for his services in accomplishing cancellation. If, however, cancellation is effected direct between buyer and seller, without the assistance of the original broker, said broker shall be entitled to his original commission from the seller.

When commission
is not allowed

205-A. No commission shall be due:

(a) If the transaction is not filled on account
of a mistake of the broker.

(b) Should the buyer default on the contract.

(c) To a broker who originally offers cotton
for a seller if the subsequent sale is negotiated
through another broker except as provided in Rule 204-A.

APPENDIX I -- DEFINITIONS

A. Terms Descriptive of Quality

1. "Cotton"

Ginned and baled cotton of any growth, not including linters.

2. "Upland Cotton"

Any cotton grown in the continental United States except American-Egyptian and Sea Island cotton.

3. "Unmerchantable Cotton"

Cotton of any of the following categories, unless bought as such or on actual samples shall be deemed to be unmerchantable cotton: Bolly cotton; gin cut cotton; re-ginned cotton; smoky or oily cotton; plated or mixed-packed bales; bales below Good Ordinary in grade or shorter than 7/8 inch in staple, United States official standard classification; re-baled cotton; fraudulently or false-packed cotton; cotton of perished staple; scorched, damaged, water-packed, seedy, sandy, burry and dusty cotton; bales not in proper order for immediate shipment; bales from any quarantined area, unless fumigated and cleared for shipment; cotton covered with ties or patches other than specified in these rules; or cotton originally baled in a gin press box of dimensions greater than 27 x 54 inches and bales weighing under 300 pounds or more than 650 pounds.

4. "Merchantable Cotton"

Any cotton not herein defined as unmerchantable.

5. "Staple"

The normal length by measurement of a typical portion of the fibers of any cotton.

6. "Short Staple"

Any length of staple shorter than 1-1/8 inches, according to United States official standards.

7. "Long Staple"

Any length of staple 1-1/8 inches and longer, according to United States official standards.

8. "Any Growth"

Upland Cotton produced anywhere in the continental United States.

9. "Western Growth"

Upland Cotton produced in any state west of the Mississippi River and east of the western boundaries of the States of Oklahoma and Texas but excluding the irrigated areas of Texas.

10. "Eastern Growth"

Upland Cotton produced in the States touching the Atlantic Ocean, Alabama and that part of Tennessee lying east of a line drawn north and south through Nashville.

11. "Atlantic Growth"

Upland Cotton produced in any state touching the Atlantic Ocean.

12. "Memphis or New Orleans Territory"

The states touching the Mississippi River, excepting that part of Tennessee lying east of a line drawn north and south through Nashville.

13. "Mississippi Delta Growth"

Upland Cotton actually grown in the State of Mississippi in the alluvial area known as the Yazoo-Mississippi Delta, between the Mississippi-Tennessee line on the North and the confluence of the Yazoo and Mississippi Rivers on the South, and between the Mississippi River on the West and a line of bluffs defining the limits of the alluvial area on the East.

14. "Delta Growth"

Upland Cotton actually grown on the lands described as Mississippi Bottoms, whether in the States of Mississippi, Tennessee, Missouri, Arkansas, or Louisiana, in the map of the United States Soil Survey shown as Figure 12, of Section A, Atlas of American Agriculture.

15. "Growth of a Designated State"

Upland Cotton actually grown within the State designated.

16. "Irrigated Cotton"

Any cotton produced by means of irrigation.

17. "Average Receipts"

Gin-run cotton as received at any given point at any given time, not selected for grade and staple but not including unmerchantable cotton.

18. "Bolly Cotton"

Cotton ginned from bolls, any considerable part of which has been arrested in their development by frost or other causes, and which have been hand-pulled unopened or partially opened from the plants and subjected to a hulling or threshing process for the purpose of extracting the burrs preparatory to the ginning process.

19. "Reginned Cotton"

"Reginned" means cotton that has passed through the ginning process more than once, and/or cotton that, after having been ginned, has been subjected to a cleaning process and then baled.

20. "Repacked Cotton"

Cotton that is composed of factors', brokers', or other samples, or of loose or miscellaneous lots collected and rebaled.

21. "Conditioned" or "Reconditioned"

"Conditioned" or "reconditioned" means cotton in

bales that have been opened for drying and/or from which damaged cotton has been removed, without the addition of any other cotton.

22. "Pickings"

"Pickings" means any cotton removed in the process of conditioning, from any bale which has been damaged in whole or in part by fire and/or water, or in any other manner, whether reginned or not.

23. "False-packed Cotton"

Bales packed with substances foreign to cotton, such as stones, iron, etc., with evident intent to defraud; bales containing damaged cotton in the interior without any indication of such damage upon the exterior of the bale; and bales containing in their interior cotton of a quality decidedly inferior to the cotton upon their exterior and packed in such manner as not to be detected without opening the bales or drawing head samples.

24. "Water-packed Cotton"

Water-packed cotton shall mean cotton in a bale that has been watered either intentionally or otherwise during the baling process, with damage to the fiber.

25. "Mixed-packed Cotton"

Cotton in a bale which in the samples drawn therefrom (1) shows a difference of two grades or more, if of the same color; or (2) if of the same grade but of different colors, is blue stained and either white, spotted, yellow tinged, light stained or yellow stained, or which, if none is blue stained, shows a difference of two or more color gradations; or (3) if the samples are of different grade in one color and the next higher or lower grade in the next higher or lower color; or (4) shows a difference in length of staple exceeding 1/16 of an inch.

26. "Plated Bale"

Any bale of cotton which has upon one or both sides a layer of cotton of a quality distinctly different from that of the remainder of the bale.

27. "Gin-cut Cotton"

Cotton that shows damage in ginning, through cutting by the saws, to an extent that reduces its value two grades or more.

28. "Oily or Oil Stained Cotton"

Cotton damaged by oil or oils of any kind.

29. "Sandy Cotton"

Cotton having an appreciable content of sand.

30. "Dusty Cotton"

Cotton containing an obviously excessive amount of dust.

31. "Seedy Cotton"

Ginned cotton having an appreciable content of seed.

32. "Burry Cotton"

Cotton containing spiny seed pods of plants other than cotton.

33. "Smoky Cotton"

Cotton carrying a pronounced odor of smoke.

34. "Cotton of Perished Staple"

Cotton that has had the strength of fiber, as ordinarily found in cotton, destroyed or unduly reduced through exposure to the weather either before picking or after baling, or through heating by fire, or on account of water-packing, or by other causes.

35. "Cotton of Immature Staple"

Cotton that has been picked and baled before the fiber has reached a normal state of maturity, resulting in weakened fiber of inferior value.

36. "Country Damage"

Cotton, the fiber of which has become discolored or perished as the result of exposure to the elements.

37. "Fire Damage"

"Fire damage" shall be cotton that has been damaged by fire.

38. "Concealed Damage"

"Concealed damage" shall be understood to refer to the damaged part of a bale which through exposure to the weather or by other means, while apparently dry and sound on the exterior has been damaged by water in its interior.

39. "Official Cotton Standards"

Official cotton standards of the United States for grade and color for American upland cotton and for American-Egyptian cotton, and for length of staple, adopted by or established pursuant to the United States Cotton Standards Act.

40. "Universal Standards"

The official cotton standards of the United States for grade and color for American upland cotton, except standards for cotton of extra white color.

41. "Equal in all respects"

Every factor of quality equal to or better than the factor as represented in a standard or type but not more than one grade better or 1/16 inch longer in staple.

42. "Private Type"

"Private type" means any sample or samples (except samples individually couponed to represent individual bales) designated by a mark, name or number; or any mark, name, or number established by a previous sale or shipment, used to illustrate and/or describe any factor or factors of cotton quality. It is essential to any private type that it be the type of a single individual or firm and that it be used only in purchases and sales by such person or firm and the opposite parties thereto.

43. "Type Sample"

"Type sample" means a type taken from and used to illustrate and/or describe the quality of a single lot of cotton and no other.

B -- OTHER TERMS

1. "Delivery"

The tender of cotton by the seller at a compress, warehouse, yard or other designated point where accepted by the buyer.

2. "Shipment"

Shipment shall mean that the cotton be placed under bill of lading or its acceptable equivalent.

3. "Prompt Delivery or Shipment"

Delivery or shipment within 14 business days from date of contract.

4. "Immediate Delivery or Shipment"

Delivery or shipment within 7 business days from date of contract.

5. "Forward Delivery or Shipment"

Delivery or shipment more than 14 business days from date of contract.

6. "Shipment or Delivery by a Certain Date"

Shipment or delivery on or before the date stated, at seller's option.

7. "Compress Point"

Any place where an active compress is located.

8. "Shipper"

Any person engaged in the business of selling cotton to persons at distant points and putting the cotton into the hands of transportation agencies for delivery.

9. "Classification"

The quality of cotton as determined in accordance with the United States official standards.

10. "Broker"

A person who executes purchases or sales solely as an agent, without having possession of the cotton and who derives his compensation solely from the commission or brokerage paid by his principal.

11. "Lot of Cotton"

A "lot" of cotton, for the purpose of these rules, shall mean one or more bales as involved in a separate transaction and/or invoice.

12. "Factor"

Any person who receives cotton on consignment from its owner, to whom he may or may not make advances of funds, and who holds, stores and/or sells the cotton according to instructions from the owner, accounting to the owner for all proceeds of sale and expenses incurred and deducting from the proceeds of sale agreed compensation for his services and necessary services performed by others.

13. "After Arrival"

The day on which the last bale of a lot has been received.

14. "Compress Weights"

The weights determined by a compress after all damage and/or foreign matter, if any, has been removed.

15. "On Call Transactions"

Purchases and/or sales of spot cotton based on futures and the price of which is to be called and/or fixed by either buyer and/or seller, according to the terms of the contract, not later than an understood or specified date.

16. "Square Bale"

Any bale of cotton rectangular in form.

17. "Uncompressed"

Any "square" bale having a density of less than 22 pounds per cubic foot.

18. "Standard Density"

Any "square" bale having a density of 22 to 31 pounds per cubic foot.

19. "High Density"

Any "square" bale having a density of 32 pounds or more per cubic foot.

20. "Designated Spot Market"

A market designated by the Secretary of Agriculture for the purpose of determining, as provided in Section 6 of the United States Cotton Futures Act, the differences above or below the contract price which a receiver shall pay for qualities other than the basis quality tendered or delivered in settlement of a cotton futures contract.